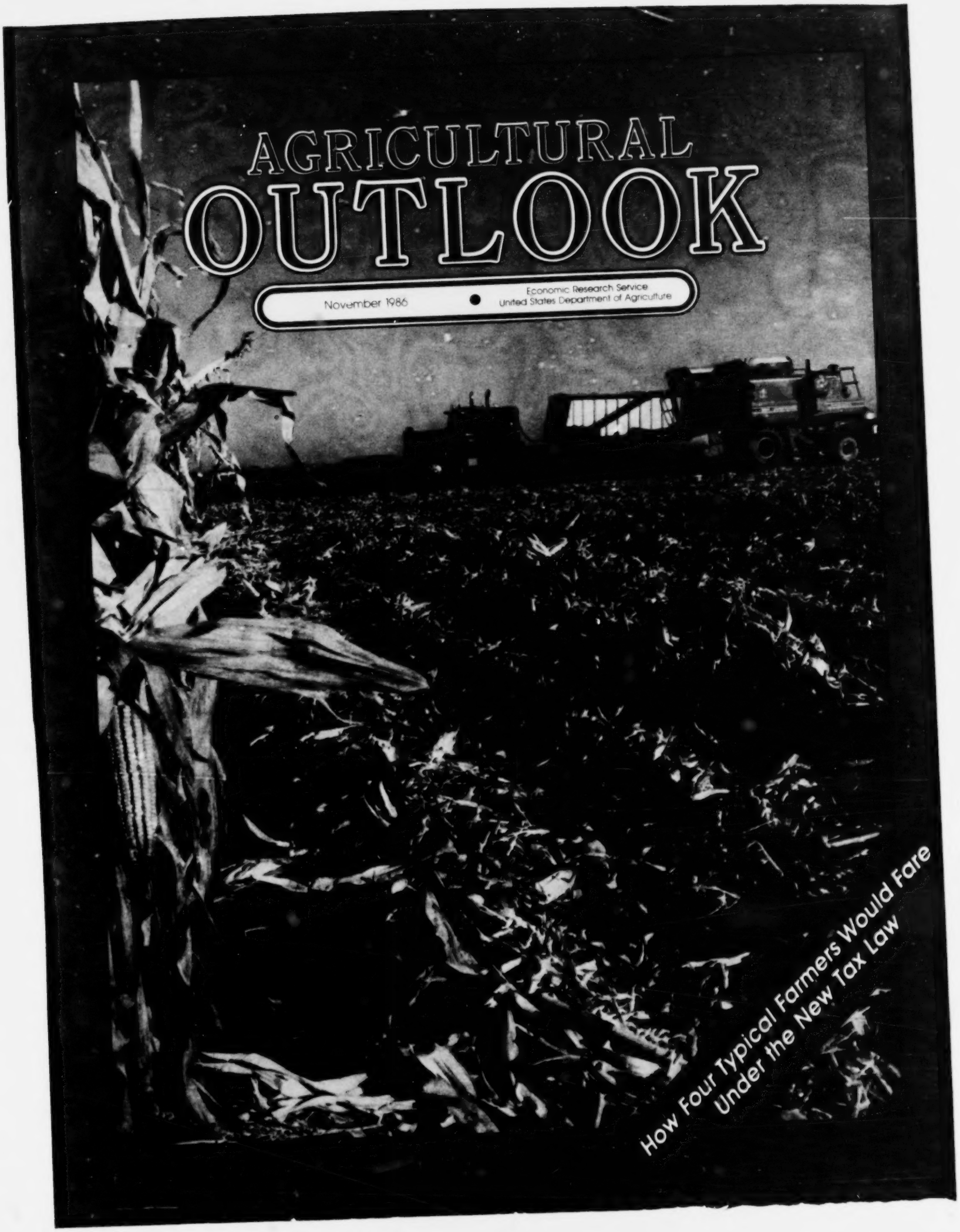
AGRICULTURAL OUTLOOK

November 1986 • Economic Research Service
United States Department of Agriculture



How Four Typical Farmers Would Fare Under the New Tax Law

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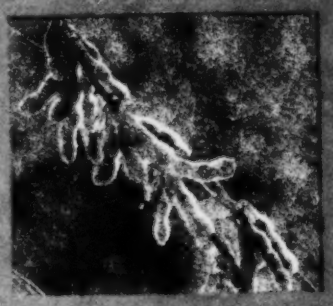

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Contents of this publication have been approved by the World Agricultural Outlook Board, and the summary was released October 20, 1986. Materials may be reprinted without permission. *Agricultural Outlook* is published monthly, except for the January/February combined issue. Price and quantity forecasts for crops are based on the October 10 World Agriculture Supply and Demand Estimates.

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The next issue of *Agricultural Outlook* (AO-126) is scheduled for mailing on December 5, 1986. If you do not receive AO-126 by December 19, call the Managing Editor (be sure to have your mailing label handy). The full text and tables of AO-126 will also be available electronically. For more information, write EMS/BDA, 1301 New York Avenue, N.W., Washington, D.C. 20005-4789, or call (202) 786-1504.

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In Brief . . . News of Export Assistance, Port Shares, Production Costs

Generally, prices of U.S. grain, soybeans, cotton, and beef have been falling since 1980. It's not just prices of U.S. products that have fallen, and it's not just agricultural commodities that are involved. Prices for copper, lead, tin, silver and gold, iron ore, and scrap steel have also fallen during the 1980's. Oil prices began dropping in 1983.

Indeed, prices of the world's basic commodities, industrial and agricultural, have generally moved in the same direction for decades. Prices for these diverse commodities follow such similar patterns because supply and demand for primary commodities are influenced by the same factors: the strength of the U.S. dollar, interest rates, and money supply and wealth changes.

Although profitability returned to hog production this summer, producers continued to reduce their herds and planned to cut production further. Although returns were very high in July and August, producers indicated as of September 1 that they planned to have 9 percent fewer sows farrow in September-November than a year earlier, and 6 percent fewer in December-February. The lack of response to the high returns is in large part due to low and negative producer returns during the past few years and to the financial pressure to sell gilts to pay debts.

Competition between the United States and other major fruit and vegetable exporters has intensified. As an alternative to subsidizing U.S. produce, the Secretary of Agriculture implemented the Targeted Export Assistance program (TEA). Forty TEA agreements were signed in fiscal 1986, totaling $110 million. Of these, 21 are primarily aimed at promoting fruit and vegetable exports.

Farmers own 116 million acres of timberland, about one-fourth of the Nation's total. Plagued by continuing financial problems, some farmers have begun to look at the economics of forestry, with an eye toward more intensive management of their existing timberlands or conversion of land in crops and pasture to timber. The outlook for forestry is comparatively favorable, especially since USDA policies and programs are discouraging further conversion of wetlands to cropland and encouraging conservation practices on highly erodible lands.

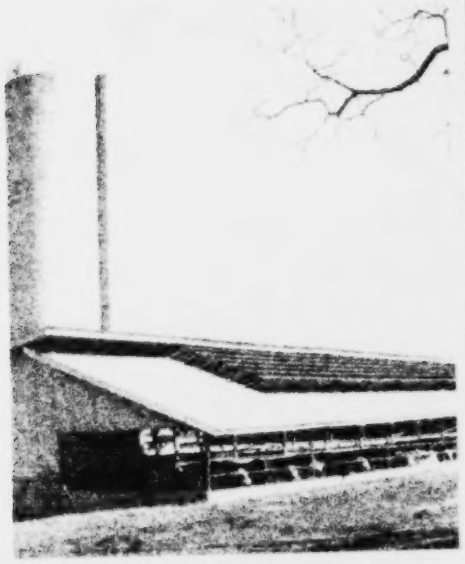
Lower loan rates in the Food Security Act of 1985 signaled grain importers and exporters that the United States was going to aggressively expand exports by becoming more price competitive. U.S. competitors face a period of lower farm incomes and/or larger farm subsidies, which will force them to decide how vigorously they will compete in the grain export business. The net effect over the next 5 years is expected to be a slowdown in the overall growth of foreign grain production.

The volume of exports shipped from various ports depends upon U.S. production patterns, inland and ocean transportation costs, port capacities, and the level and location of foreign demand. As the volume of U.S. grain and soybean exports declined after 1980, shares of grain exports moving through the major U.S. ports shifted. Since before 1970, though, Gulf ports have dominated U.S. grain exports, accounting for 60 to 68 percent.

Legislation recently introduced in Congress would amend the Farm Credit System's accounting procedures, reduce its cost of funds, and allow it to set more competitive interest rates. The declining quality of the system's loan portfolio was brought about by the weak agricultural economy of the 1980's, especially falling land values. The system will likely need further financial assistance in fiscal 1987.

Prices for major agricultural production inputs are declining about 3 percent in 1986, and may fall further in 1987. Fuels, chemicals, and feeds are showing the largest decreases. Only autos and trucks, other machinery, and farm services and rent are increasing in the prices paid index, and each of these should climb by less than the forecast 2.2-percent rise in the CPI.

The impact of the Tax Reform Act on individual farmers will depend, among other things, on the farmer's income and investments. For most, the tax burden should not change substantially. However, livestock producers with relatively high annual investment and a large proportion of their gross receipts from culled livestock could face higher taxes. For agriculture as a whole, the most important effects of the new law are those on aggregate investment; capital spending will likely be slightly less and decisions will be based more on profitability than on tax benefits.



Agricultural Economy

Are prices of agricultural commodities related to prices of other commodities? Generally, prices of U.S. grain, soybeans, cotton, and beef have been falling since 1980. Changes in U.S. farm programs have allowed especially large declines in 1986.

But are these declines part of a wider pattern? It's not just prices of U.S. products that have fallen, and it's not just agricultural commodities that are involved. Prices for copper, lead, tin, silver and gold, iron ore, and scrap steel have also fallen during the 1980's. Oil prices began dropping in 1983. Indeed, prices of the world's basic commodities, industrial and agricultural, have generally moved in the same direction for decades.

Similar Factors Swing Prices Of Most Commodities

Why should prices for such diverse commodities follow such similar patterns? Because supply and demand for primary commodities are influenced by the same factors: the strength of the U.S. dollar, interest rates, and money supply and wealth changes. During the 1960's, commodity prices were relatively stable. Fixed exchange rates eliminated one source of price fluctuations, while rising world income and a high-valued dollar encouraged steady growth in supply and demand for most basic commodities.

Prices of Basic Commodities

Year	Corn	Soybeans	Cotton	Beef	Copper	Tin	Silver	Steel scrap
			$/metric ton				$/ troy oz.	$/ long ton
1960	57	92	649	N.A.	678	2,196	0.91	33
1970	66	117	698	1,304	1,415	3,675	1.77	45
1980	150	296	2,232	2,760	2,175	16,784	20.70	91
1985	125	225	1,429	2,130	1,422	11,975	6.10	74
1986*	110	212	1,307	2,062	1,396	6,375	5.43	73

Corn: U.S. no. 3 yellow, c.i.f. Rotterdam. Soybeans: U.S. no. 2, yellow, c.i.f. Rotterdam. Cotton: U.S. Memphis Territory, c.i.f. N. Europe. Beef: boneless Australian, f.o.b., New York. Copper: London Metal Exchange, electrolytic wirebars. Tin: London Metal Exchange through January 1986, then Penang, Malaysia. Silver: New York. Steel scrap: Number 1, heavy melting average. *Average through August.

Prices spiked upward in 1973 as OPEC reduced oil supplies and the Soviet Union entered world grain markets. Prices surged again in the late 1970's. This time, instability in Iran led to higher energy prices, while the emergence of China as a major importer drove agricultural prices up. Agricultural commodity prices are also subject to weather variations; the drought of 1983 cut supplies sharply.

But other factors were at work also. During most of the 1970's, the U.S. dollar was falling in value as real interest rates dropped, the U.S. money supply was growing rapidly, and the world was becoming substantially wealthier. Declines in the dollar mitigated the rise in commodity prices denominated in foreign currencies.

Concomitantly, falling real interest rates made holding inventories of basic commodities cheaper—thus pushing up inventory demand. The increasing U.S. money supply and the emergence of integrated world financial markets created a surplus of dollars in world markets. This dollar surplus fanned the demand for basic commodities as the world tried to transform excess dollars into tangible assets. And the rise in wealth led to further increases in demand.

Trends Reversed in Early Eighties

In the early 1980's, trends in commodity prices reversed. Severe drops in world economic growth, and rising real interest rates due to slower growth in the world supply of U.S. dollars, combined to shift the demand for commodities downward. At the same time, the strengthening dollar increased U.S. imports during 1980-85, muting the impact of slowly growing world markets and encouraging continued growth in foreign production. The results were rising surpluses and falling prices.

But commodity prices will likely turn upward again in the late 1980's. World economic growth is improving from the early 1980's, while real interest rates are falling. The fall in the value of the dollar is heightening the effect of low commodity prices in foreign economies; foreign buyers can afford to buy more U.S. goods, while foreign sellers are receiving lower prices—thus discouraging production.

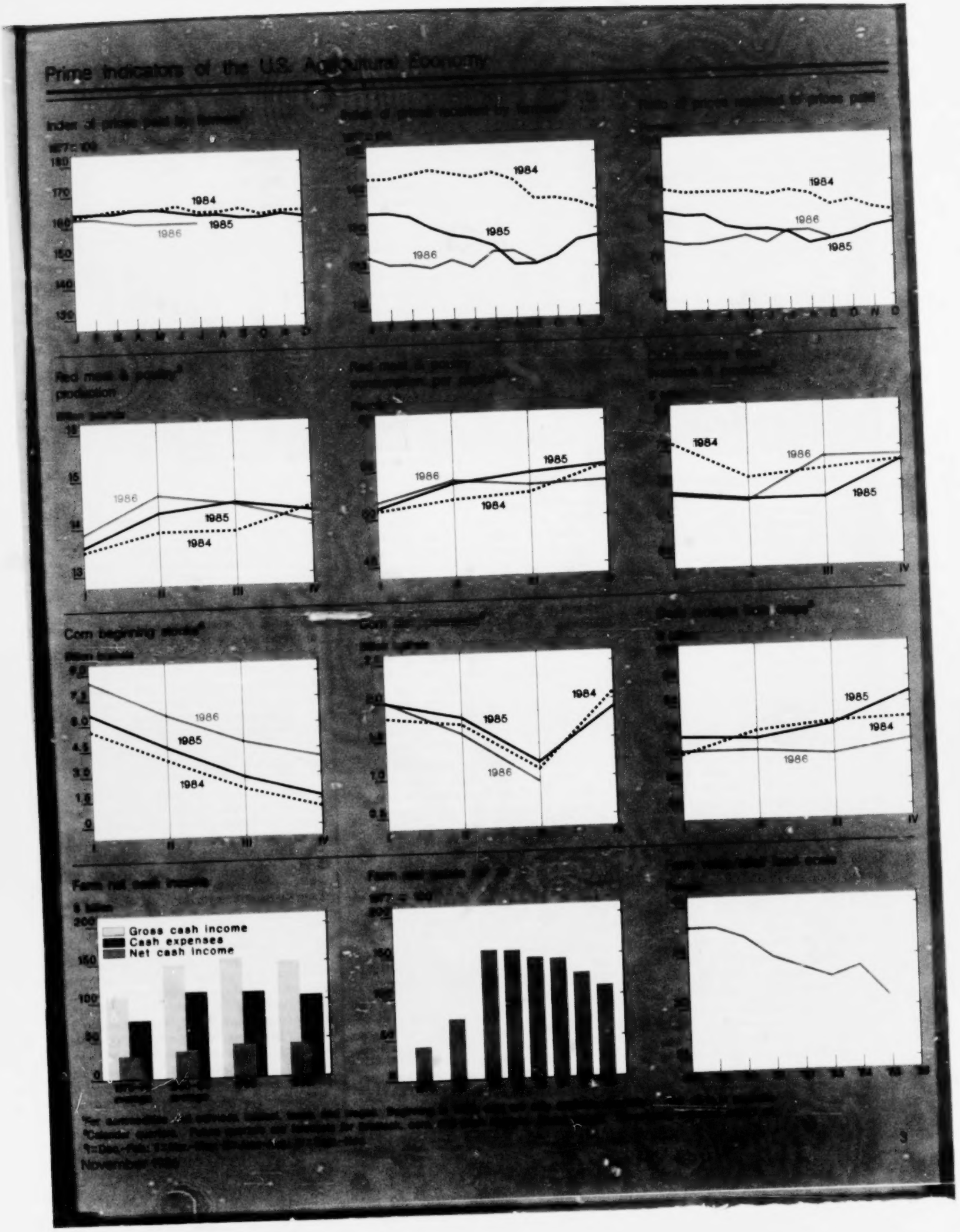
Low prices are already encouraging more consumption of basic commodities, such as oil. Just as in the 1970's, the weakening dollar, along with the factors causing the dollar to slide, are encouraging world consumption while discouraging production. *[Terry Townsend (202) 786-3313 and David Stallings (202) 786-1624]*

LIVESTOCK HIGHLIGHTS

•*Hogs*

Although profitability returned to hog production this summer, producers continued to reduce their herds and planned to cut production further. The September *Hogs and Pigs* report indicated that the September 1 inventory of all hogs and pigs in the 10 quarterly reporting States was 5 percent below a year earlier. The breeding herd was 10 percent smaller. Although returns were very high in July

Prime Indicators of the U.S. Agricultural Economy



and August, producers indicated as of September 1 that they planned to have 9 percent fewer sows farrow in September-November than a year earlier, and 6 percent fewer in December-February.

The lack of response to the high returns is in large part due to low and negative producer returns during the past few years and to the financial pressure to sell gilts to pay debts. In addition, as the number of producers has declined, the proportion of larger producers has increased.

The expansion response of the larger producers is slower because they operate closer to capacity, and thus must build or renovate facilities to hold additional animals. In earlier periods, when operations were smaller, there were more "in and outers"—farmers who entered or left hog production as a side operation. Then, the biological lag was the principal constraint on greater production.

The September 1 inventory of market hogs weighing 60 pounds and over was below a year earlier, but was higher than the industry expected. Hog prices dropped $4 per cwt during the week the report was released. Prices are normally expected to decline in September, as hog slaughter rates and weights rise seasonally. But, the larger-than-expected market hog inventory exacerbated the price decline. Seasonally higher pork production, rising year-over-year imports of pork products, and higher poultry production will pressure hog prices this fall. However, lower nonfed beef production and low cold storage stocks will be offsetting influences.

Retail pork prices in August averaged $1.90 a pound, up 17 percent from May and the highest monthly price since October 1982. The farm value rose to $1.02 a pound, up nearly a third since May and the highest since September 1982. The farm-to-retail spread widened just 3 percent from May. The spread, at 88 cents per pound, was below the 1985 average of 91 cents. The farm value is expected to decline this fall and the spread is likely to widen. For all of 1986, the spread is expected to average only slightly above 1985. *[Leland Southard (202) 786-1830]*

•*Broilers*

After a modest rise during October, broiler meat production in November is expected to be up sharply from last year. During September, producers in the 12 major States set 7 to 10 percent more eggs than in August. Also, hatchability has improved from late July and August. With placements up, slaughter is also expected to increase.

Producers will probably continue expanding, and output in the fourth quarter may be 5 percent above the same time last year. Producers are planning for additional hatching eggs in 1987 by adding more replacement pullets to the hatchery supply flock. Using cumulative placements 7 to 14 months earlier as an indication of future changes, the flock in first-quarter 1987 will be 6 percent larger than in 1986.

Since production is usually down in the first and fourth quarters from the spring and summer, capacity will likely be available to increase production more than suggested by the hatchery flock. With demand favoring increased production and low grain prices in first-quarter 1987, producers may expand output 7 percent above 1986.

Prices in the 12 cities for a composite of whole birds averaged 67 cents per pound in the third quarter, up from 51 last year. The combination of reduced pork supplies and the threat of heat-reduced broiler supplies boosted prices. As the hot weather abated, the birds gained weight and prices declined.

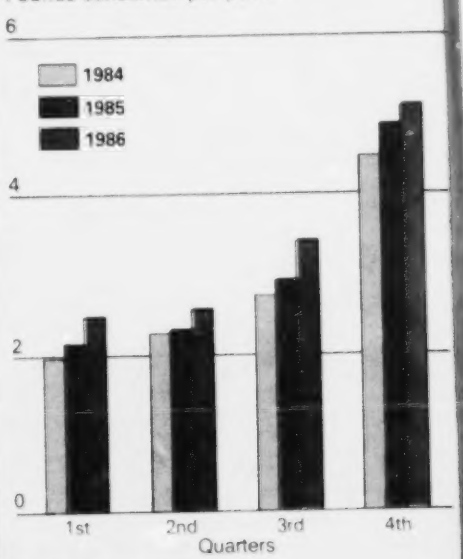
Demand will continue strong for further-processed items. Also, supplies of pork will likely remain low, helping strengthen all meat prices. Thus, prices in fourth-quarter 1986 may average 55 to 59 cents per pound, up from 50 last year.

With additional broiler supplies expected in first-quarter 1987, prices will decline but still average in the low 50-cent range, slightly above 1986. If grain prices remain low as expected, net returns are likely to stay positive through early 1987. *[Allen Baker (202) 786-1830]*

•*Turkeys*

Turkey production in 1986 is expected to be 13 percent above 1985. The excellent movement of turkey and turkey products, along with above-average returns in 1985, encouraged producers to sharply expand production. Consumers are eating more turkey throughout the year, but the fourth quarter is still the main consumption period. In the last few years, 39 to 40 percent of the estimated per capita consumption has occurred in the fourth quarter. This year, per capita consumption in the fourth quarter is expected to be about 5 pounds—37 percent of the annual figure. Fourth-quarter consumption is not lower; the fourth-quarter share is smaller because more turkey is now consumed the rest of the year.

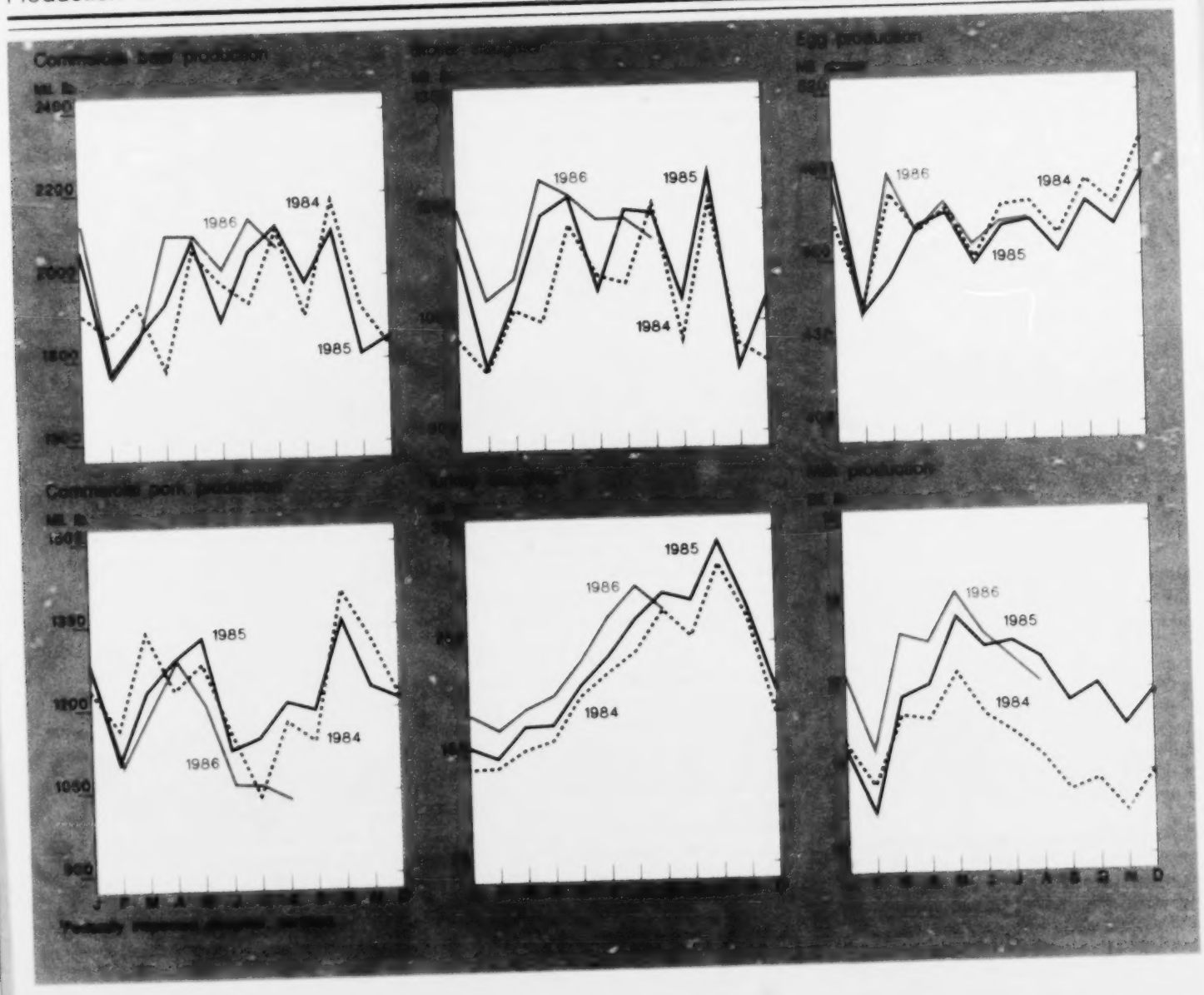
Consumers Flock to Turkey in the Fourth Quarter



Fourth-quarter 1986 forecast

Further-processed items, along with turkey parts, are boosting consumption throughout the year. In the past 3 years, further-processed turkey as a proportion of federally inspected slaughter has been higher in the first half of the year.

Fourth-quarter retail prices of whole turkeys will likely be slightly higher than last year. In 1985, retailers did not stock up on turkey as early as they did this year, and as a result wholesale prices were slightly lower last year until the fourth quarter. This year, retailers paid more for their turkey stocks and will likely pass the higher prices on to the consumer. Also this year, hams are expected to be in shorter supply and therefore higher priced. *[Allen Baker (202) 786-1830]*



•*Eggs*
Both demand and prices for eggs tend to rise in the fourth quarter because of holiday baking. This year, cartoned Grade A large eggs in New York may average 68 to 72 cents per dozen, down from 76 last year and also down from some previous quarters in 1986 because of increased production. If production continues above a year earlier, as expected, prices may also remain below 1986 in early 1987.

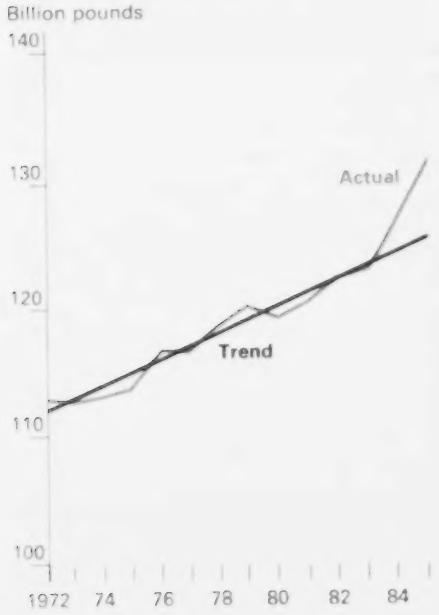
Exports of eggs and the shell equivalent of egg products were above last year in first-half 1986. The exports have helped to increase U.S. egg prices. Japan has been the major importer, and since the yen has been strong relative to the dollar, exports of egg products are expected to continue high.

Egg producers are likely to produce more than last year because of lower feed costs and additional replacement pullets entering the laying flock. However, the number of layers on hand September 1 was about the same as last year; table egg layers were down 1 percent but hatching egg layers were up 8 percent. During June, July, and August 1986, the number of table egg layers was about the same as last year, and all layers were up 1 percent.

In spite of positive net returns during August, egg producers sold their old hens to keep production from increasing, especially table egg output. Producers are expected to slow these sales as net returns continue positive. With the increased numbers of pullets available in the fourth quarter, production may be 1 percent above last year. In first-quarter 1987, egg production may be 1 to 2 percent above a year earlier. *[Allen Baker (202) 786-1830]*

•*Dairy*
Commercial use of milk and dairy products was about 2 percent above a year earlier during the third quarter. The gain was still substantial, but was the smallest since spring 1985. Declining real retail dairy prices, growth in the economy, and expanded promotion continued to push sales

Since 1983, Milk Disappearance Has Far Exceeded Trend



higher. For all of 1986, commercial use is expected to be 3 percent above last year and 10 percent above 1983.

Summer sales of fluid milk rose more than 1 percent from a year earlier. Increases in fluid sales have consistently been about 1-2 percent during the last 3 years. Sales of frozen desserts and cottage cheese have also continued to post small rises.

Commercial disappearance of butter rose sharply in late spring and early summer. However, these gains were inflated by a buildup in pipeline stocks and substitution of butter for less-available fresh cream. Commercial use in late summer probably was not as strong. Commercial use of American cheese this summer was just slightly above a year earlier. However, growth in other varieties of cheese was strong.

In 1987, commercial use of all dairy products probably will be up 1-3 percent. The driving forces of the last 3 years will continue to boost dairy sales, but the effects may be waning. Next year's expected commercial use would result in a 1983-87 increase one and a half times that of the entire decade of the seventies. *[James Miller (202) 786-1830]*

CROP HIGHLIGHTS

•*Wheat*

Total wheat disappearance in 1986/87 (June/May) is expected to increase about 13 percent from last year. Feed use may total 350 million bushels, 28 percent above 1985/86. In addition, an expected 17-percent increase in exports from last season will help put stocks below 1.8 billion bushels at season's end.

The September 1 stock report shows that June-August wheat disappearance rose this year. Stocks of 3.1 billion bushels reflect export shipments of 320 million bushels, compared with 250 million a year ago. Domestic disappearance of nearly 550 million bushels suggests heavy use of wheat in livestock rations; feed wheat consumption may have been record high for this 3-month period. Farm wheat prices, at a 9-year low during harvest months, encouraged using wheat in feed rations. However, the implied feed use of 376 million bushels during June-August may be exaggerated because it is figured as a residual from quarterly stocks.

Global wheat production for 1986/87 is forecast at almost 507 million tons, up slightly from 1985/86, but down about 9 million tons from 1984/85. Foreign production is projected at 450 million tons, up significantly from last year's 438 million and 5 million above the 1984/85 record. Reflecting increased supplies and lower world prices, foreign utilization is likely to climb by about 11 million tons, to 477 million.

Trade in 1986/87 is forecast to exceed 89 million tons (excluding intra-EC trade), partly because of lower export prices. However, the 3.6-million-ton gain for the year is considerably less than the gain in coarse grain trade.

Production by the major foreign competitors is forecast to increase almost 6 million tons in 1986/87 to 126 million. But, that total is still well under the 1984/85 record of 136 million. Because of favorable weather, Canada's crop is likely to reach 31 million tons, over 6 million more than the previous year.

Production prospects for the remainder of the foreign wheat exporters are mixed. Argentine prospects in 1986/87 are up about 1 million tons, EC-12 outturn should be slightly below last season's 72 million tons, and Australian prospects are down about 1 million tons. Nonetheless, supplies among the major foreign exporters will continue large, with ending stocks increasing over 8 percent to more than 33 million tons.

Much of the forecast increase in world trade will probably come from diminished production in the major wheat-importing countries. While China's production should be up about 2 million tons, the Soviet crop may be 6 million tons below a year earlier. Soviet prospects, however, are much better than in 1984/85, when a crop of only 73 million tons contributed to record imports. *[Allen Schienbein (202) 786-1840 and James Cole (202) 786-1691]*

•*Rice*

A smaller U.S. crop, larger domestic utilization, and a gain in exports are expected to cut rice carryover next July 31 to around 61 million cwt. This will be 21 percent below last season's record 77 million cwt.

Based on October 1 conditions, the 1986 rice crop is forecast at 129.5 million cwt, down 5 percent from a year ago. The expected cut in production is due to reduced area harvested, since yields are record high.

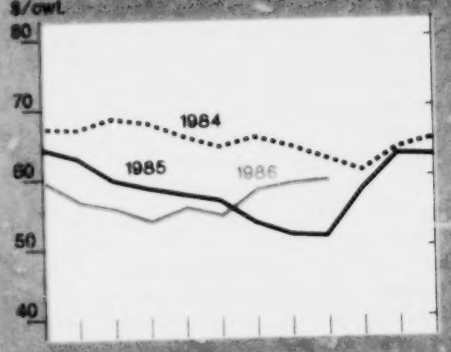
Yields in 1986 may average around 5,550 pounds per acre, slightly above last year's record 5,437. Since 1980, rice yields have risen over 1,000 pounds per acre because of increased plantings of high-yielding varieties.

Further plantings of high-yielding varieties, along with improved management practices and greater input use, could raise per-acre yields another 400-600 pounds by 1990. For 1986, however, weather and disease problems have probably constrained yields in Arkansas and Missouri. Texas yields may rise as much as 10 percent, though.

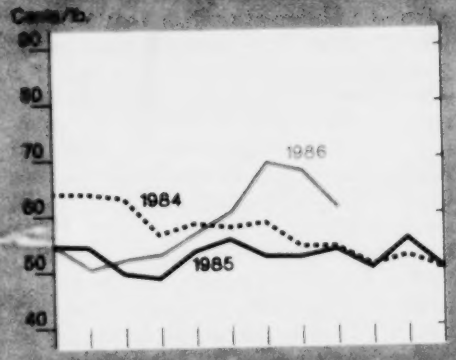
Producers' income in 1986/87 will come principally from direct Government payments. Payments may reach 70 percent of total income, up from 43 percent last season. The price received by producers is expected to vary with the world price and range between $3.20 and $4 per cwt. Market prices in 1985/86 averaged $6.72 per cwt, down $1.35 from a year earlier.

Commodity Market Prices

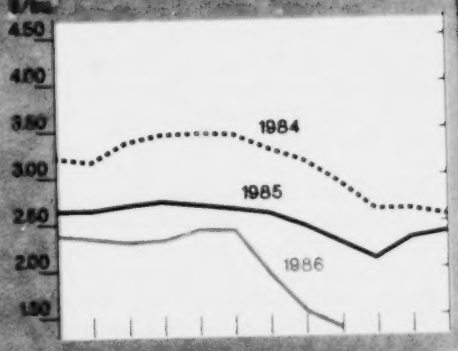
Choice steers, Omaha



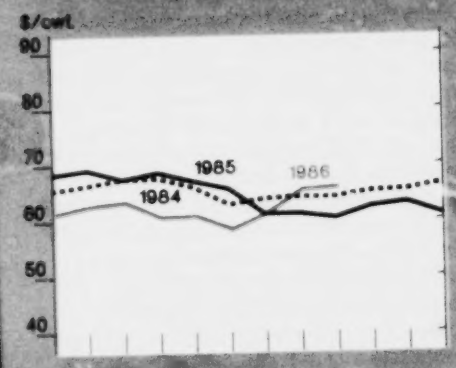
Broilers, 12-city average



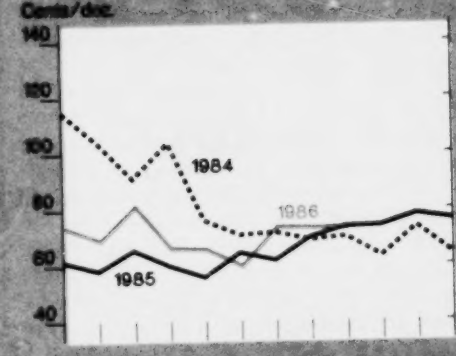
Corn, Chicago[3]



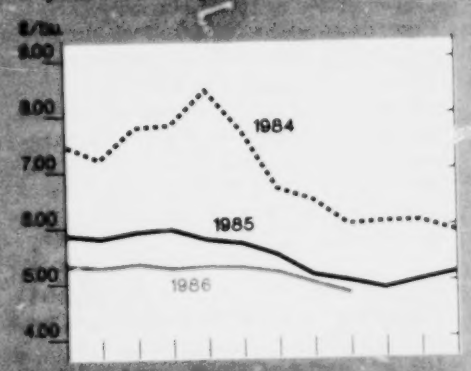
Feeder cattle, Kansas City[1]



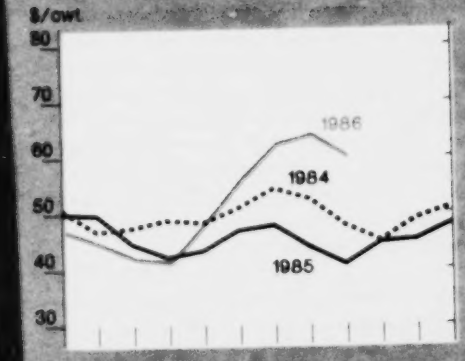
Eggs, New York[2]



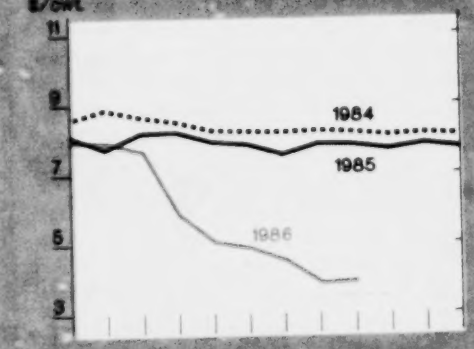
Soybeans, Chicago[4]



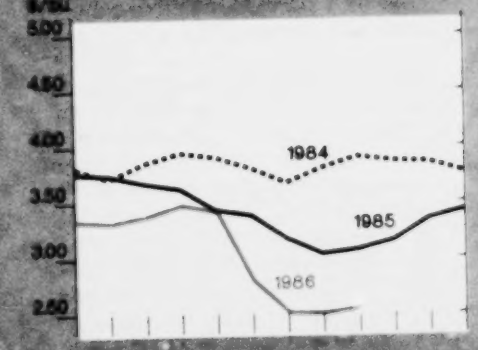
Barrows and gilts, 7 markets



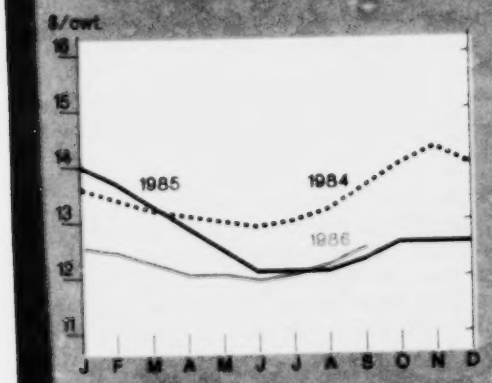
Rice (rough), SW Louisiana



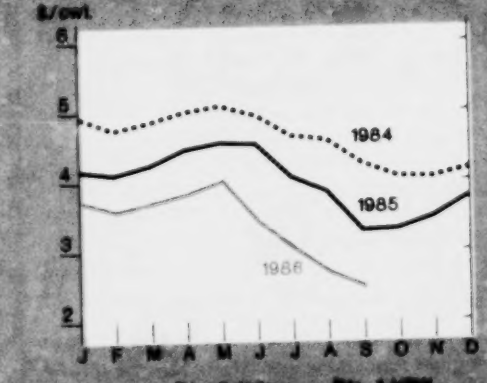
Wheat, Kansas City[5]



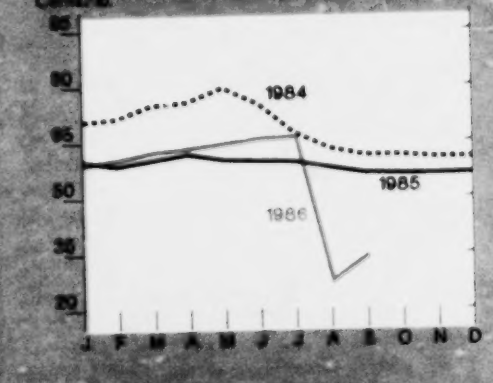
All milk



Sorghum, Kansas City



Cotton, average spot market



[1]600–700 lbs., medium no. 2. [2]Grade A Large. [3]No. 1 Yellow. [4]No. 2 Yellow. [5]No. 1 HRW.

Substantially lower prices are generating a pickup in domestic use. Over the summer, rice millers were operating at close to capacity. New rice products are being introduced at an unprecedented rate, as companies strive to take advantage of lower prices. Annual use of rice in cereals, processed and frozen foods, ethnic foods, and new products is expected to increase faster.

Restaurant use has also increased. Growth in the Asian and Spanish segments of the U.S. population continues to fuel consumption. However, use of rice in beer, a major growth area in the past, is not likely to increase, as beer consumption appears to be flat.

Lower prices are also boosting U.S. exports; sales have picked up since the marketing loan went into effect in April. U.S. exports in 1986/87 (August/July) are expected to gain 36 percent to 80 million cwt for the largest export total in 5 years. This gain indicates a larger U.S. share of the world market; foreign exports are likely to drop.

Foreign rice production is expected to increase in 1986/87 to 315 million tons (milled weights), 1 percent above 1985/86 and also slightly above the record of 313.6 million in 1984/85. Foreign consumption is projected to increase by 2 percent, after rising only marginally last year.

Despite the largest gain in consumption since 1983/84, and lower world market prices, world rice imports will likely drop from 12.6 million tons in calendar 1986 to 11.9 million in 1987. Production in the importing countries has increased, and none of the major importers is expected to show higher imports for the year. Brazilian imports, the main reason for the probable 10-percent gain in world trade in 1986, are expected to drop 700,000 tons in calendar 1987. This accounts for all of the projected reduction in 1987 trade.

Good crops are expected in all of the competitor countries. Projections indicate record or near-record crops in Pakistan, Burma, and Thailand, and China's crop will rebound from the impact of poor weather last year. With large carryin and good crops, foreign exporters have large supplies available. *[Janet Livezey (202) 786-1840 and Frederic M. Surls (202) 786-1691]*

•***Feed Grains: Demand Analysis***

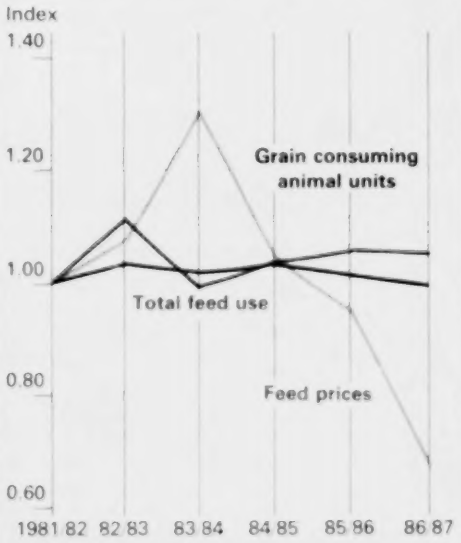
Corn disappearance, made up of roughly 4 billion feed and residual, 1 billion FSI (food, seed, and industrial use), and 2 billion exports, has totaled around 7 billion bushels a year for the past 3 years. With an average crop of around 8 billion bushels, carryout stocks often grow about 1 billion bushels per year.

Feed and residual disappearance is defined as total supply less yearend stocks, exports, and FSI use. It is the largest disappearance category, as well as the most variable, partly because it is the catch-all category for waste, shrinkage, and measurement errors. Because the feed and residual category is so important, estimates and analysis of feed demand are an important part of understanding the feed grain situation and the general farm economy.

Economic theory suggests that corn demand by livestock feeders is related to the price of corn, the prices of competing and complementary feeds, and the prices of animal products. Another type of analysis is based on nutritional requirements of livestock and poultry. This type of analysis is behind the development of the grain-consuming animal unit (GCAU) concept, which places the various species of livestock and poultry on a common base to index total feed requirements.

To sort out the important factors, feed and residual disappearance of feed grains, GCAU's, and feed grain prices have been converted to an index, with 1981/82 equaling 100. The number of GCAU's remains fairly stable, moving only a few percentage points in a year. Swings in feed use are more dramatic, moving perhaps 10 to 15 percentage points in a year. Price movements are bigger still, with 20- to 30-percent swings not unusual. On average, swings in feed use tend to be controlled more by prices than by changes in animal units.

Fewer Animals Leading to Less Feed Use in 1986-87, Despite Lower Feed Prices



A grain consuming animal unit is a measure of the number of animals on farms weighted by the feed they eat.

Based on price incentives, the quantity of feed grains fed in 1986/87 should surge. In fact, 1986/87 feed use is expected to be about level with 1985/86. A look at the animal numbers and a closer look at feeding practices explain why.

Dairy cattle numbers are expected to decline 7 percent, largely because of the Dairy Termination Program. Beef and hog animal units are likely to decline 3 to 4 percent. Halfway through 1986, cattle inventories were reported at their lowest since midyear estimates began in 1973, and the next January 1 report is likely to show the smallest inventory since the early 1960's. The hog breeding herd was the lowest since estimates began in 1964, with farrowing intentions down substantially for the coming year.

Might feeding rates increase? When feed prices are low, producers are expected to increase feeding rates per animal unit by starting intensive feeding at lighter weights, feeding animals longer to heavier weights, and making more feed available. However, slaughter weights of fed cattle and hogs were near-record for much of 1985/86, indicating many of these steps had already been taken.

Although fed cattle marketings will likely remain large in spite of the smaller inventory, fewer nonfed cattle are slaughtered when feedlot demand is strong. Thus, the potential for increased feed use during 1986/87 by dairy, hog, and beef producers is extremely limited. The only sure growth market for feed appears to be poultry, which continues to grow 5 to 6 percent annually.

World coarse grain production in 1986/87 is forecast to fall more than 21 million tons to 821 million, entirely because of the reduction in U.S. outturn. Foreign production, forecast at 570 million tons, is close to output of the last 2 years.

Foreign use of coarse grains, however, is showing strong growth, gaining about 15 million tons to reach 616 million. This improvement is largely caused by lower world prices. Lower prices are also the main reason for the almost 7-million-ton expansion projected in world coarse grain trade for 1986/87. Global ending stocks are expected to reach a record 209 million tons, up 36 million. Almost all the increase will be in the United States; foreign ending stocks are forecast to fall about 2 million tons.

Production prospects in all the major foreign exporting countries are good, although crops are generally short of record levels. Canadian barley production is the exception; both area and yield are expected to set records. While not at record levels, all other major foreign exporters—Australia, Argentina, South Africa, and Thailand—are forecast to have abundant exportable supplies.

China's exports continue high. Exports of 6 million tons for 1986/87 will be second only to shipments in 1985/86. Most of China's trade is with traditional U.S. customers, such as Japan, Korea, and the Soviet Union. *[Dave Hull (202) 786-1840 and James Cole (202) 786-1691]*

Oilseeds

Soybean cash prices (Central Illinois) declined from the $4.90's in early September to the middle $4.70's by the end of the month. The decline followed the announcement of a $4.77 loan rate for the 1986 crop. Gramm-Rudman-Hollings budget reductions could lower the actual payment rate to $4.56 a bushel. Wet weather in the Midwest has delayed harvesting, providing some price strength. But, it is too early to tell if the bad weather will damage harvest prospects enough to raise prices.

The most important factor this year is the robust 1.99-billion-bushel crop expected from 59.8 million harvested acres. Coupled with an expected record 536-million-bushel carryover from 1985/86, the crop will result in burdensome supplies in a market that is expected to grow slowly at best.

The Government loan rate will likely be the market price through 1986/87. The effective loan rate is $4.56 a bushel (including Gramm-Rudman-Hollings), but the price at which the CCC can sell its inventory will be between $5.15 and $5.54 a bushel (105 percent of the announced $4.77 loan rate plus specified monthly carrying charges).

Lower soybean prices are reflected in a drop in soybean meal prices, from about $175 per ton in early September to less than $160 by September 23. Domestic soybean meal demand could perk up by the second half of the year, offsetting an expected weakening in soybean meal exports. Soybean meal prices will likely reflect the minimum amount necessary to maintain profitable crush margins. Prices in the mid-$150's are forecast for 1986/87.

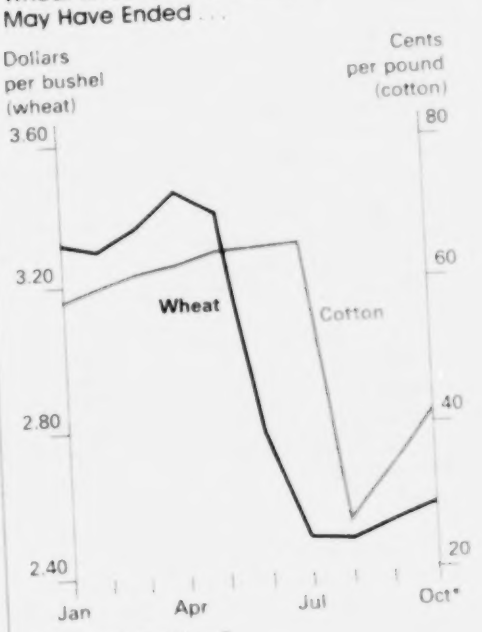
The soybean oil situation still reflects the acute oversupply of vegetable oils worldwide. U.S. disappearance in 1986/87 could climb 3 percent from a year ago, reflecting reduced availability of other domestically produced fats and oils, particularly cottonseed. But, supplies are ample and prices are not likely to improve much. Soybean oil prices in September were stable but low, ranging between 13.5 and 14.5 cents a pound.

U.S. soybean exports are expected to continue to increase, but at a lesser rate than in 1985/86, when they rose by almost one-quarter because of fewer soybeans from Brazil and Paraguay. Also, U.S. sales likely benefited from the decline in the dollar's value.

In 1986/87, the reduced U.S. soybean loan rate and the Federal Grain Inspection Service's stricter grading of soybeans should further boost U.S. competitiveness. As a result of the new standards, No. 1 U.S. soybeans will contain less fatty acid, reducing refining costs and extending the shelf life of processed oil.

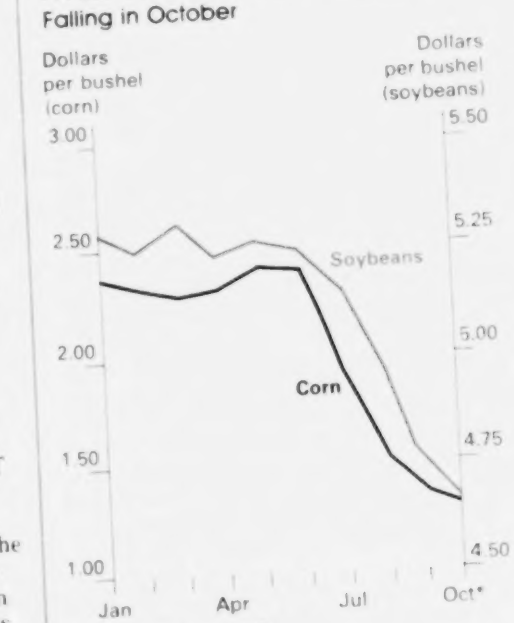
These actions are well timed, since the United States faces greater competition from South American growers in 1986/87. Although the United States will continue to dominate world soybean trade, Brazil, Argentina, and Paraguay are likely to expand their combined share of world soybean exports to about one-fifth. Despite a projected 3.5-percent increase in world crush, world soybean ending stocks are projected to rise 11 percent over 1985/86's record. Total world oilseed ending stocks are expected to increase by 13 percent in 1986/87.

Wheat & Cotton Price Slides May Have Ended . . .



* Through October 9.

. . . But Corn & Soybean Prices Still Falling in October



* Through October 9.

World consumption of oilseed meal will probably continue increasing, approaching 107 million tons in 1986/87. World ending stocks of meal will fall for a third consecutive year. Soybean meal stocks are projected to decline by almost 8 percent to 2.3 million tons. World trade in soybean meal, rapeseed meal, and fish meal is forecast to increase. However, U.S. soybean meal exports are forecast to decline because of increased availability from Brazil and Argentina.

World vegetable oil trade in 1986/87 is projected to expand again, but U.S. vegetable oil exports are forecast to decline for a fourth consecutive year. Palm oil will continue to account for the largest share of world vegetable oil trade. The U.S. share of the world soybean oil market is likely to decline by 2 percent as soybean oil exports from Brazil and Argentina rise 4 percent and account for 37 percent of world trade. *[Roger Hoskin (202) 786-1840 and Tom Bickerton (202) 786-1691]*

•*Cotton*

World production in 1986/87 is forecast at 73.5 million bales, 5.4 million below 1985/86. Area is projected to be 30.7 million hectares, down 1.2 million.

U.S. cash and futures prices rose sharply in September. Foreign countries, anxious to gain as much foreign exchange as possible from cotton sales, went along with the higher U.S. prices, so world prices also averaged higher. This occurred despite the continued world cotton surplus.

Cotton consumption was strong during the summer, particularly in the Far East, raising the global 1985/86 consumption estimate to 74.5 million bales, 6.8 percent over 1984/85. Very low summer prices boosted consumption, as did stronger currencies in some key textile-exporting countries.

Also, major cotton consumers are optimistic because this summer's Multi-Fiber Arrangement negotiations did not further restrict textile trade. Consumption for 1986/87 is projected at 77 million bales, 3.4 percent over the 1985/86 record. Despite current price fluctuations, large supplies of cotton relative to previous years, and relative to synthetics, are encouraging increased cotton use.

With growing consumption, export potential is also stronger. Exports are projected to be 22.6 million bales, up 2.1 million. Major exporters, such as Pakistan, China, and the United States, will benefit the most, but competition for these gains will continue stiff.

One-fourth of the way into the 1986/87 U.S. cotton marketing year, prospects for reducing burdensome stocks are improving. Domestic textile mills now are expected to use 7 million bales, the most since 1975/76.

Lower cotton prices and consumer preference for natural fibers are major factors in the consumption rise. In addition, foreign mills are expected to use more U.S. cotton than initially projected. The current U.S. export estimate is 6.8 million bales, 4 percent larger than forecast in August.

The 1986 cotton crop, based on October 1 conditions, is estimated at 10 million bales. Weather problems in the Texas High Plains and the Delta have lowered yields from earlier expectations. Yearend carryover may be less than 6 million bales, a 39-percent drop from last year.

Although year-ending stocks are still large, the U.S. cotton outlook has brightened considerably in the past 3 months. Since August 1, December futures prices have rallied almost 20 cents. Trading patterns have been volatile, though.

This improvement in futures has helped elevate the Northern Europe Index A and has made U.S. mid-south cash offers at harvest more competitive with the Government loan program. California and Arizona spot prices have been above loan repayment rates since early October, reflecting higher-than-normal program participation and strong demand from Asian markets. *[Bob Skinner (202) 786-1840 and Carolyn L. Whitton (202) 786-1691]*

•*Tobacco*

As of October 1, U.S. tobacco output was forecast at 1.22 billion pounds, down 20 percent from 1985 because of reduced acreage and yields. Dry weather lowered yields and leaf quality, but quality still appears relatively good. Prices at flue-cured auctions are lower because the support level was reduced. However, the no-net-cost assessment charged producers has been reduced from 1985's 25 cents to 2-1/2 cents this year, which more than offsets the drop in price. Net prices, after assessments, are about 5 cents a pound above a year ago. But, with lower yields, per-acre returns after assessments are lower.

The tobacco supply for 1986/87 is forecast to decline about 6-1/2 percent to 4.97 billion pounds, with decreases in both flue-cured and burley. Stocks going into the new marketing year (July 1 for flue-cured and cigar-wrapper types, and October 1 for all other types) likely will equal 3.72 billion pounds, about 3 percent lower than a year earlier.

Based on State estimates as of October 1, the 1986 flue-cured crop totaled 673 million pounds, down 16 percent from last year. Beginning stocks on July 1 were down 6 percent. The total supply is 2.63 billion pounds, about 8 percent below last year, but ample at about 2.85 years' use. Total use this season may rise from last year's 912 million pounds, as exports are expected to increase. Carryover next June 30 may decline another 10 to 12 percent.

Flue-cured sales began July 29. By October 9, growers had sold 85 to 90 percent of anticipated marketings, with 5 percent going under loan. Despite the smaller crop, prices are lower because of reduced price supports. Sales through October 9 averaged $1.53 a pound, about 10 percent below the previous year. However, net prices to growers, after the no-net-cost assessment, were 6 cents a pound higher. Reduced auction prices, along with lower production, will cause cash receipts to fall sharply. After assessments, though, per-acre receipts will be only 4 or 5 percent lower than a year ago.

This year's burley crop is expected to fall 25 percent from the 1985 harvest. Because of a reduced 1985 crop, ending stocks on September 30 are projected to be about 1 percent lower than last year. The 1986/87 supply will be down about 4-1/2 percent from a year earlier, representing about 3.4 years' use and providing more than adequate stocks. Reduced output also is forecast for Maryland crops—fire-cured, dark air-cured, and cigar types.

The national marketing quota for the 1987 flue-cured crop must be announced by December 15. Individual farm quotas and allotments will reflect undermarketings and overmarketings in the current crop. For burley, marketing quotas will be announced by February 1, 1987, and for other types by March 1.

Price support levels in 1987 for flue-cured and burley tobacco will be based on a 5-year moving average of market prices (two-thirds weight) and changes in a cost of production index (one-third weight). For other types, maximum increases in support levels will continue to be based on the average of the parity index during the 3 previous years, compared with 1959. *[Verner N. Grise (202) 786-1840]*

•*Peanuts*

Peanut supplies for 1986/87 are expected to be 4.2 billion pounds, including 845 million of carryover from 1985, 2 million of imports, and 3.37 billion of 1986 production.

On September 29, USDA announced a $4.5-million Targeted Export Assistance program (see Commodity Spotlight) to expand exports of edible peanuts to 16 Western European countries. Funds will be used to conduct brand promotions for products made with U.S. peanuts, to encourage development of new peanut products, and to increase consumer awareness of U.S. peanuts through generic promotions. The targeted nations purchased 65 percent of U.S. edible peanut exports during the 1985/86 marketing year.

Promotional activities will be carried out through an agreement between USDA's Foreign Agricultural Service and the National Peanut Council, a nonprofit organization representing all segments of the U.S. peanut industry. USDA will reimburse the council with generic marketing certificates, which can be exchanged for Government-obligated commodities. *[James Schaub (202) 786-1840]*

•*Fruit*

Forecast increases in 1986/87 citrus production will outweigh smaller apple, grape, and pear crops. The net increase in output should put this fall's grower prices slightly to moderately below last year. Noncitrus fruit production in 1986 was forecast in early October at 11.8 million tons, down 8 percent from 1985. The apple crop is forecast at 3.9 billion pounds, off 3 percent from last year. The grape and pear crops are expected to drop 12 and 5 percent, respectively, from 1985.

Citrus groves in Florida and Texas are still recovering from the four freezes in the last five winters. The first forecast for the 1986/87 citrus crop is 12.4 million tons (excluding California's grapefruit crop outside the desert areas). This is 14 percent higher than last season's production but still well below the record high in 1979/80.

Larger production is indicated for all citrus. With a slowly growing economy, demand for fruit will likely not increase appreciably. Citrus prices are likely to fall below the previous season.

Reduced crops of clingstone peaches, Bartlett pears, and plums will result in less canning than last year. But large carryin stocks are likely to provide adequate supplies of most canned fruit during 1986/87. Movement of canned fruit has been slow, and higher stocks have caused contract prices for major canning fruits to fall substantially from a year ago.

The California Peach Association and canners have agreed to a 1986 field price of $167 per ton for clingstone peaches, compared with $188.50 in 1985. The California growers and canners also have agreed to a field price of $177 a ton for Bartlett pears for canning, down 14 percent from 1985. The sluggish economy, slack movement, and lower fruit costs are likely to keep overall prices steady or lower than last year.

With the smaller California grape crop and the increased use of raisin grapes by wineries, raisin output this season is expected to be substantially less than last year. The trade is forecasting an output of 300,000 tons, compared with 345,000 in 1985. However, even with the smaller output, large carryin stocks from the diversion program will result in adequate supplies during 1986/87. Demand for raisins has picked up, and higher field prices for raisin grapes are expected to keep raisin prices firm.

Production of prunes, the other major dried fruit, is estimated to be down 31 percent from 1985. With a fractionally larger carryin stock, the 1986/87 supply of prunes is estimated to be 21 percent less than last year. Prices this year are likely to be higher than last.

As of September 1, cold storage holdings of frozen fruit and berries were down slightly from a year ago. Sharply decreased supplies were recorded for apricots, sweet cherries, grapes, and peaches, but the drop was partially offset by increased stocks of apples, blackberries, boysenberries, and red raspberries. Slightly to moderately decreased supplies were also reported for blueberries, tart cherries, and strawberries. Demand for frozen fruit and berries will likely stay relatively strong, but smaller supplies, and higher costs for several crops, should keep prices firm. *[Ben Huang (202) 786-1766]*

•*Sugar and Sweeteners*

Domestic prices for raw cane sugar (nearby futures price for Contract No. 14, c.i.f./duty-paid, New York) averaged 20.90 cents a pound for the July-September quarter, about the same as in the previous quarter. For the first 9 months of 1986, prices averaged 20.89 cents a pound, 3 percent below the market stabilization price of 21.50. Average monthly prices have ranged from 20.67 to 21.01 cents.

Beet and cane sugar processors filed intent-to-forfeit notices with the CCC for 257,000 tons, but all the sugar was redeemed by the September 30 deadline. Last year over 300,000 tons of cane sugar (all from Florida) and over 130,000 tons of beet sugar were forfeited.

Rain has caused beet sugar crop losses in Michigan. Acreage is down 11,000, meaning a production drop of 480,000 tons. This has reduced the U.S. beet sugar production estimate 1.6 percent from September to 25.0 million tons. *[David Harvey (202) 786-1769]*

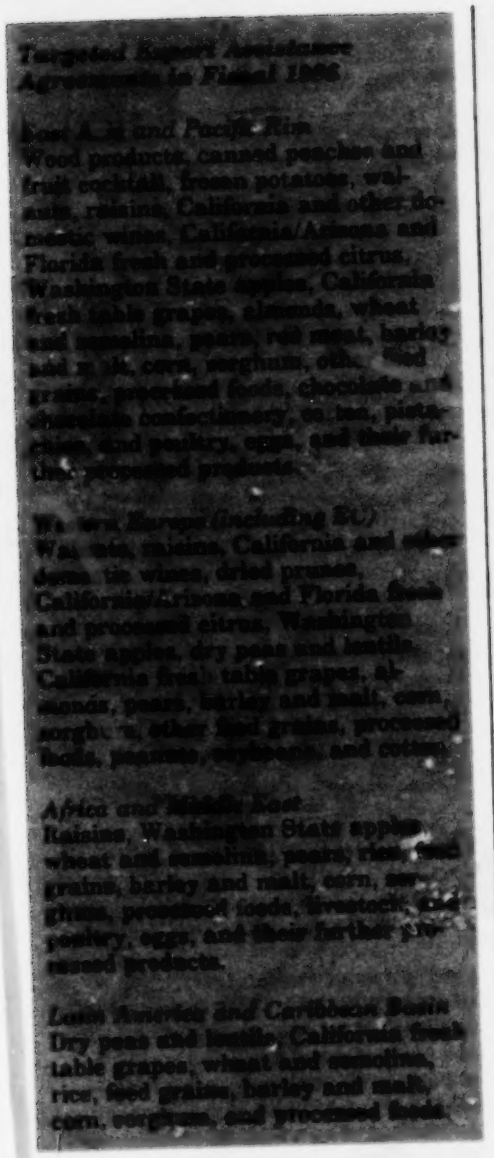
COMMODITY SPOTLIGHT

Targeted Export Assistance Boosts Fruit and Vegetable Shipments

Competition between the United States and other major fruit and vegetable exporters has intensified with the emergence of the EC-12 as a net exporter. EC policymakers, for the most part, have followed a path of subsidizing exports from member countries while imposing stringent quotas on agricultural imports.

Not only are the subsidized fruit, vegetable, and product exports more attractive on world markets than nonsubsidized U.S. exports, but the EC and other producers have also had the advantage in recent years of more favorable exchange rates. While the weakening dollar has improved the U.S. export picture in 1986, competition in world markets remains strong.

As an alternative to subsidizing U.S. produce, the Secretary of Agriculture, under Section 1124 of the Food Security Act of 1985, implemented the Targeted Export Assistance Program (TEA). Administered by the Foreign Agricultural Service, TEA is essentially a foreign market development program for specific U.S. commodities


Targeted Export Assistance Agreements in Fiscal 1986
Wood products, canned peaches and fruit cocktail, frozen potatoes, walnuts, raisins, California and other domestic wines, California/Arizona and Florida fresh and processed citrus, Washington State apples, California fresh table grapes, almonds, wheat and semolina, pears, red meat, barley and malt, corn, sorghum, oils, feed grains, processed foods, chocolate and chocolate confectionery, rice, beans, pistachios, and poultry, eggs, and their further processed products.
Raisins, California and other domestic wines, dried prunes, California/Arizona and Florida fresh and processed citrus, Washington State apples, dry peas and lentils, California fresh table grapes, almonds, pears, barley and malt, corn, sorghum, other feed grains, processed foods, peanuts, soybeans and cotton.
Raisins, Washington State apples, wheat and semolina, pears, rice, feed grains, barley and malt, corn, sorghum, processed foods, livestock, and poultry, eggs, and their further processed products.
Dry peas and lentils, California fresh table grapes, wheat and semolina, rice, feed grains, barley and malt, corn, sorghum, and processed foods.

which have been hurt by foreign subsidies, import quotas, or other unfair trade practices.

TEA is intended to help maintain or expand U.S. export markets in the face of increasing world competition, and in some cases to reverse declining export trends. By increasing exports of commodities with large domestic surpluses and depressed prices, TEA also functions to raise domestic prices by reducing supplies, thus encouraging better returns for producers.

Export assistance is provided through Government agreements with U.S. trade associations, State-sponsored organizations, or private firms to conduct market development in selected countries. Organizations are reimbursed for part of their expenses with generic commodity certificates issued by CCC. These certificates, in turn, can be redeemed or sold, often at a premium.

Commodities eligible for targeted export assistance must meet the following requirements: (1) they must have been hurt by unfair foreign trade practices, (2) they must be in adequate supply, and (3) if processed, they must be at least half of U.S. origin, with preference given to those totally of U.S. origin.

Participants must represent U.S. agricultural interests, with preference given to nonprofit trade organizations having national or industry-wide scope and the ability to share costs. Targeted markets may include those employing unfair trade practices such as import barriers, markets where subsidized competition exists, or alternative markets developed to offset markets lost to unfair trade practices.

TEA offers two basic types of promotion program: generic, where nonprofit agricultural associations and State organizations promote homogeneous products, and brand-identified programs with private U.S. firms. Program agreements are usually for 12 months. TEA will provide at least $110 million per year for export assistance in fiscal 1986, 1987, and 1988. The allocation will increase to a minimum of $325 million in fiscal 1989 and 1990.

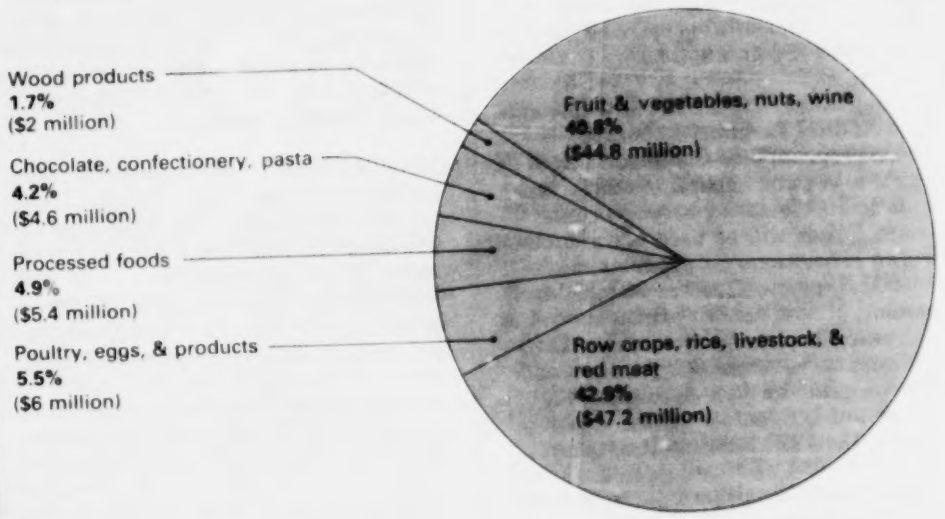
Forty agreements were signed in fiscal 1986, totaling the full $110 million allotted. So far, two additional agreements have been signed for 1987. Of the 1986 agreements, 21 are targeted primarily to expanding markets for selected fruits, vegetables, and products in Western Europe and the Pacific Rim.

The present agreement is the first major export assistance program for fruits and vegetables. However, other 1986 agreements provided assistance for a host of products (see accompanying table). To date, 1987 agreements have been signed for wood products and canned peaches and fruit cocktail.

The Pacific Rim, with some of the fastest growing economies in the world, is a major target for promotions. Agreements are currently in effect to promote greater Pacific Rim purchases of U.S. raisins, frozen potatoes, California and other domestic wines, California/Arizona and Florida fresh and processed citrus, canned peaches and fruit cocktail, almonds, walnuts, pears, Washington State apples, and California fresh table grapes. Between January and July 1986, total U.S. exports of these commodities to the Pacific Rim were up almost 17 percent from the 385,722 metric tons shipped in the same period last year.

During the first 7 months of 1986, U.S. exports of canned peaches and fruit cocktail to the Pacific Rim

Targeted Export Assistance Aided All Commodity Groups in Fiscal 1986



reached 7,295 and 4,200 metric tons, respectively, up 373 and 46 percent from the same period last year. The increase has gone largely to Japan—canned peach and fruit cocktail exports to Japan were 6,391 and 2,274 metric tons, respectively, between January and July.

The dollar has declined about 11 percent against the Japanese yen since the first canned peach and fruit cocktail TEA promotion began in March, and the decline has aided sales. But, the promotion program must also be given some credit for the increase in exports. Taiwan, South Korea, Hong Kong, and Singapore have also raised their purchases, despite the fact that their currencies move with the U.S. dollar.

Also during the first 7 months of 1986, U.S. fresh grapefruit and wine exports to the Pacific Rim increased 56 and 40 percent over the year-earlier totals of 138,874 metric tons and 332,000 gallons, respectively. However, the TEA programs for these commodities are still too new to assess their impact—the first citrus agreement was announced in May and the first wine agreement in April.

Several Western European countries are also targeted under the TEA program. As of September, agreements had been signed to promote European sales of U.S. walnuts, raisins, California wines, dried prunes, California/Arizona and Florida fresh and processed citrus, almonds, pears, Washington State apples, and California fresh table grapes. Most of these agreements are also relatively new—TEA was announced for walnuts, raisins, and California citrus in May; for Florida citrus in June; for almonds in July; and for pears and California grapes in August.

Although program evaluation at this point is difficult, its success depends primarily on the ability of U.S. fruit and vegetable growers to provide adequate supplies of targeted commodities at competitive export prices, and secondly on the success of foreign advertising and promotion campaigns in increasing demand. Less favorable exchange rates, inadequate domestic supply for export, or a tightening of foreign import quotas could constrain short-term program results. Longer term success of TEA could also be hindered by retaliatory actions from foreign competitors. Progress of the TEA program for fruits, vegetables, and products will be reported in future issues. *[Kate Buckley (202) 786-1770]*

COMMODITY SPOTLIGHT

Forest Products Outlook

Farmers own 116 million acres of timberland[1], about one-fourth of the nation's total. This is nearly as much as in the national forests and all other public lands combined (136 million acres) and more than owned by the forest industry (69 million acres).

Plagued by continuing financial problems, some farmers have begun to look at the economics of forestry, with an eye toward more intensive management of their existing timberlands or conversion of land in crops and pasture to timber. Over 580,000 acres of cropland were enrolled in the Conservation Reserve Program for tree planting in 1986. In general, tree planting has been record high for the last 4 years, with 86 percent of the planting on private lands.

What lies behind all this interest in forestry? How will it affect timber supplies, and will farmers be able to get an attractive return from timber?

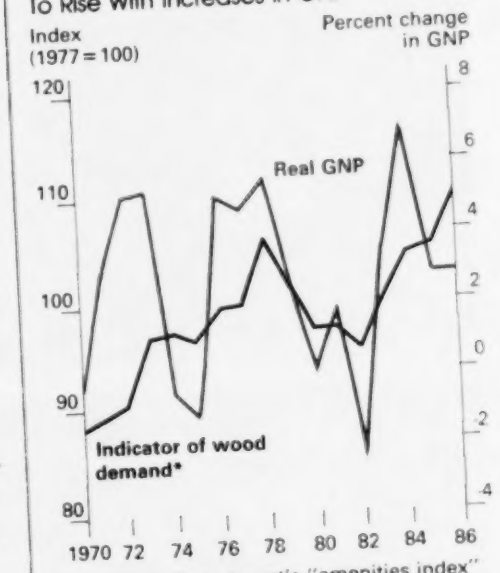
Population Growth Creates Boom In Housing and Wood Use

USDA Forest Service data show that timber consumption increased from 11 billion cubic feet per year in the late 1950's and 1960's to nearly 14 billion in the late 1970's. Increases in population, the entrance of the 1950's baby boomers into the housing market, and increases in overall economic activity are expected to boost total demand for timber products 15 percent from 1980 to 1990. The increase may reach 30 percent by 2000 and 64 percent by 2030. The supply of timber available to meet this increased demand is expected to expand at a slower rate, with consequent real increases of 1 to 2 percent per year in wood product prices.

The outlook for forest products is especially favorable in the South. New housing has long been the largest single market for timber products. Population shifts to the South have made this region the country's most active housing market, accounting for over

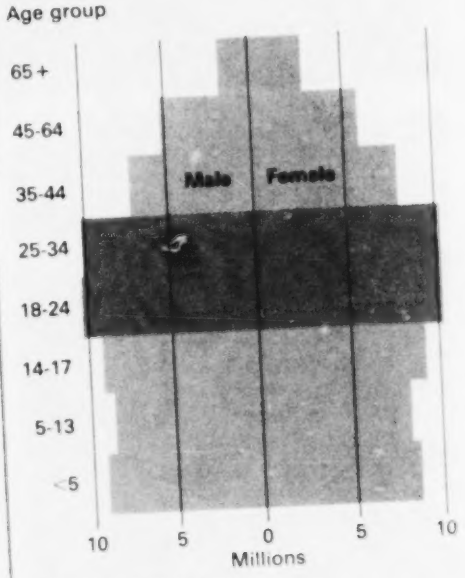
[1]Timberland refers to forest land that is capable of producing crops of industrial wood and is not withdrawn from timber use by statute or regulations. Two-thirds of all U.S. forest is timberland.

Demand for Wood Products Tends To Rise With Increases in GNP



*Commerce Department's "amenities index" measuring new home size and amenities (carports, decks, extra bathrooms, etc.).

Baby Boom Bulge Will Push Up Demand for Wood



1984 U.S. population.

Ownership of U.S. Timberland

	Nonindustrial private forests			Public	Forest industry	Total
	Farmers	Other	Total			
	Million acres					
Total	116	162	278	136	69	483
Potentially profitable*	44	80	124	10	34	168

*Acres that could provide returns of at least 4 percent above inflation from intensified timber management.

Forest Products Demand, Past and Projected

Year	Lumber	Plywood	Pulpwood	Fuelwood
	Billion board feet	Billion square feet	Million cords	
1962	37.3	11.7	44.8	17
1970	39.5	17.8	70.0	10
1976	42.7	20.7	77.6	18
1990	51.8	24.1	99.6	100
2000	52.1	25.2	116.9	146
2010	53.8	27.1	134.7	155
2020	56.0	27.9	150.1	178
2030	59.9	28.1	159.2	168

1990–2030 forecast, USDA Forest Service.

Sources of Timber Harvest

	Harvest by year		
	1976	2000	2030
	Billion cubic feet		
SOFTWOODS 1/			
Private lands	6.2	9.0	11.0
Public lands	2.6	3.1	3.7
HARDWOODS 2/			
Private lands	2.9	6.6	9.1
Public lands	0.2	0.4	0.6

1/ Principal uses for softwoods: lumber, plywood and other construction material; pulp; fuel. 2/ Principal uses for hardwoods: pallets, railroad ties, furniture, fuelwood, pulp.

Source: USDA Forest Service.

half of all new homes constructed in recent years. The demand for other important forest products, such as paper and paper board, is also related to changes in population.

Nationally, farmers and other nonindustrial private forest owners, who together own 58 percent of the timberlands, account for 36 percent of softwood harvests and 77 percent of hardwood harvests. These lands are expected to contribute an increased share of the timber supply in future years, because of larger wilderness designations and other pressures for nontimber use of public lands.

The Forest Service estimates that there are 168 million acres of existing timberland in the United States that could provide real returns of at least 4 percent a year from intensified timber management. Farmers and other nonindustrial private owners own an estimated 124 million of these. Opportunities for converting marginal agricultural lands to timber have not been fully documented. But, the 1983 USDA study "Conversion for Conservation" showed that on 15 million acres of cropland and pasture in the South, returns from pine trees would exceed net earnings from crops and forage.

Timberland and Cropland Show Cyclical Shifts

On a given piece of land, growing crops has usually brought better returns than forestry. But there have been exceptions—around 1920, the amount of U.S. timberland, which had been declining steadily since early settlement, started to increase. Forestry was viable on played-out, marginal farms, especially in the East and South.

By 1960, timberlands had increased by 50 million acres. But then the trend again reversed, as vast areas of bottomland hardwood forests and upland forests (many of which are now being labeled as highly erodible) went into crops and pasture.

Today, we may be on the brink of another reversal. The economic outlook for forestry is comparatively favorable, and USDA policies and programs are discouraging further conversion of wetlands to cropland and encouraging conservation practices on highly erodible lands. *[Robert J. Moulton, USDA Forest Service, (703) 235-1697]*

Upcoming Economic Reports

Summary Released	Title
November	
5	Livestock & Poultry
6	Vegetable Yearbook
7	Cotton & Wool Yearbook
10	World Ag. Supply & Demand
18	Agricultural Outlook
20	World Agriculture
21	Feed Yearbook

Summaries are released electronically on the dates indicated; the full reports, including tables, may also be accessed 2 to 3 days later. For details, call (301) 982-6662.

COMPETITOR RESPONSES TO LOWER U.S. GRAIN PRICES

When the Food Security Act of 1985 was passed, the United States signaled grain importers and exporters that it was going to aggressively expand exports by becoming more price competitive. The extent to which U.S. exports do improve will depend on how much world demand for grain increases and on how foreign grain exporters respond to lower U.S. prices.

During the first half of the 1980's, import demand growth for wheat and coarse grains was restrained by debt crises, worldwide recession in the early 1980's, a rising dollar, and increased self-sufficiency among importers. This weak growth combined with larger production in the exporting countries to force down world prices.

For example, Argentine f.o.b. wheat prices dropped from $189 per ton in 1981 to $108 in 1985—a decline of 43 percent. During the same period, however, relatively high U.S. loan rates prevented U.S. export prices from declining as rapidly—they fell only 22 percent from 1981 to 1985. While the larger decline in the Argentinians' prices would normally signal a reduction in their wheat production, the strengthening U.S. dollar offset much of the decline in prices received by the competing grain exporters. Thus, while U.S. farmers were receiving signals to reduce production, competing grain exporters received market signals to expand.

This situation is beginning to change. The new loan rates have brought U.S. prices down and are allowing the United States to be much more price competitive. In addition, the dollar has depreciated against many foreign currencies. Lower prices have provided some stimulus to demand, and world wheat and coarse grain trade in 1986/87 is forecast to be 10 million tons above last year's 8-year low, although still 20 million tons below 1984/85. Moreover, all of the increases in volume are expected to accrue to the United States.

The world's adjustment to lower prices and a cheaper U.S. dollar is just beginning. U.S. competitors face a period of lower farm incomes and/or larger farm subsidies that will force them to decide how aggressively they will compete in the grain export business.

The decisions they make are likely to differ considerably by country. The net effect of individual country adjustments over the next 5 years is expected to be a slowdown in the overall growth of foreign grain production.

Australian Farmers Emphasize Livestock

Australian farm incomes during the past 2 years have already suffered from depressed world commodity prices. Although Australian wheat and barley producers have been shielded somewhat by a weak domestic currency, the new lower U.S. prices are likely to discourage Australian grain production over the next 5 years. Crop area could fall moderately, although weather will continue to play a major role in planting decisions and output.

Australia competes with the United States in both wheat and coarse grain markets. Its exports during 1986/87 are forecast at 14.5 million tons of wheat and almost 2.5 million tons of barley. Grain plantings are likely to change more in Australia than in any of the other major grain exporters. For example, Australia's wheat receives a guaranteed minimum price; coarse grains do not. This arrangement will favor wheat exports relative to barley. Sorghum does not compete significantly with wheat or barley for land.

Australian grain producers have only limited options available if domestic policies pressure them to change land use. They are increasing livestock numbers and the area planted to legumes for livestock, as beef and wool appear to be the commodities with the brightest futures. Wheat and barley areas overlap, giving farmers a choice between them.

In September, the Australian Government announced the preliminary guaranteed minimum price for the 1986/87 wheat crop. This price indicates a continued decline in net returns—about 20 percent below last year. Although subject to change over the coming months, this rate may be the only payment farmers receive for the year. The Australian Government may have to pay $A5-10 per ton to support the guaranteed minimum price for the next 2 years. In light of large budget outlays, future Australian policies are hard to predict.

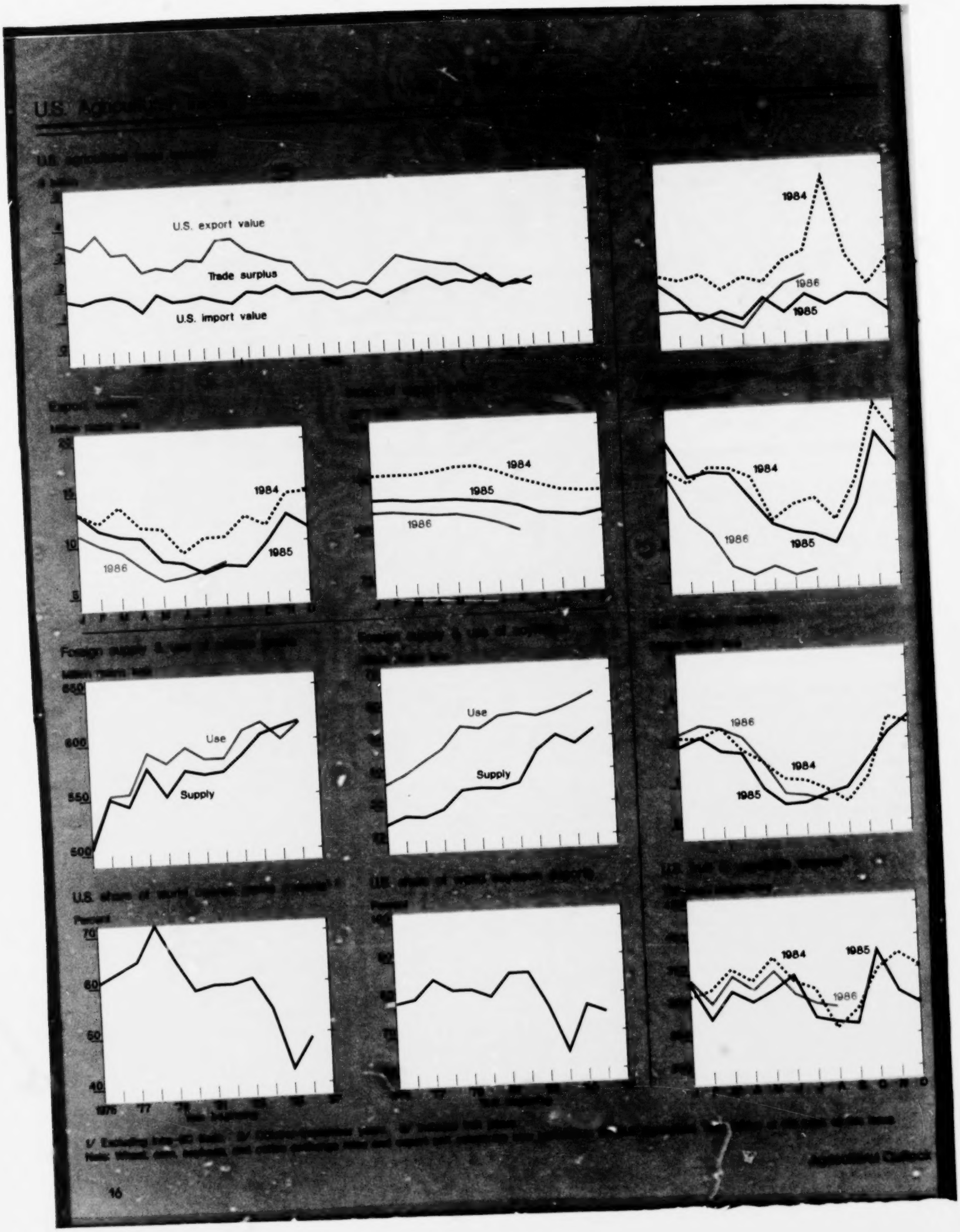
Barley production may decline because coarse grains do not receive the minimum price guarantees accorded to wheat. Production declines are likely to be large enough to reduce exports significantly. Moreover, rising pork and poultry production and heavier feeding of sheep and cattle will increase domestic consumption.

With coarse grain exports expected to decline, some Australian area could shift to sunflower and rapeseed production. By the early 1990's, Australia could be a net exporter of both.

Western Europe To Remain Key U.S. Grain Export Competitor

As Western Europe's grain production has trended up in recent years, the region has evolved from a net importer to a net exporter. Western Europe's 1986/87 outturn is down from the 1984/85 peak because bad weather has cut crop yields. But output remains high—almost 170 million tons of wheat and coarse grains. Grain exports, forecast at over 26 million tons, will be significantly higher than in the early 1980's.

Budgetary pressures in the next several years and continued large storage costs are motivating modifications in the EC's Common Agricultural Policy (CAP), but any changes are unlikely to reverse the current oversupply situation in the short run. In a brief time, grain stocks in the EC have developed


U.S. export value
Trade surplus
U.S. import value
1984
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into a major problem. Barley ending stocks for 1986/87 are forecast to approach the 1984/85 record of 5.4 million tons, while ending stocks of wheat will likely break the 1984/85 record of 16.6 million tons by more than a half million.

The EC has little storage room left and the prospects for reduced production are small. Thus, the drive to maximize exports is forecast to continue in the foreseeable future, at practically any cost. The success of the EC's export drive depends largely on continued growth to countries the United States has already targeted for the Export Enhancement Program. It also requires large EC wheat and barley sales to the Soviet Union.

Within the EC, when domestic production exceeds a specified quantity, farmers must pay a portion of the costs of the grain program—the Co-Responsibility Levy—for marketed grain. In an effort to avoid such payments, producers are likely to use more grain for feed, and some continued increase in on-farm use is expected. EC wheat—typically good quality, although in many cases not as high quality as that of Australia, Canada, or the United States—is likely to be used to meet a considerable portion of the growth in feeding over the next 5 years. But this increase will logically displace corn and barley feeding, thus boosting exportable coarse grain supplies.

Further complicating the EC and Western Europe grain situation is a projected decline in the oilseed-to-grain price ratio under present policies. The shift could lead to the substitution of protein meal for grains (both wheat and barley) in livestock feed. This translates into only modest growth in grain consumption by the end of the decade, further boosting exportable surpluses.

Canada's Grain Production To Show Little Change

The decrease in U.S. market prices is not likely to be passed on entirely to Canadian producers. Canadian market prices have already fallen in line with U.S. prices, but Government programs will cushion the blow. Federal and provincial governments will probably continue to offer farmers financial assistance, slowing the adjustment process.

Low world grain prices are not expected to have much of an impact on Canada's grain production over the next crop year, as grain inventories have fallen with the drought-reduced crops of the last 2 years and need to be rebuilt. Canada competes with the United States in both wheat and coarse grains, with wheat exports forecast at 18.5 million tons in 1986/87 and barley at 5.5 million. Neither export level is a record, but both show improvement over a year earlier.

In contrast to Australia, Canada is not expected to significantly shift land among grains. Canada is a low-cost producer of wheat, and much of the land is not well suited for other grains—the only significant option is summer fallow.

Canada's intent to remain in the grain exporting business can be seen in the country's emphasis on long-term grain agreements. For example, it has agreements with the Soviet Union, Egypt, East Germany, and Iraq. In addition, it enjoys annual renewable wheat agreements with several other countries, including Japan and the United Kingdom.

If prices continue low, as expected, some shift in Canadian cropping patterns will likely occur and some Government outlays will be required for agriculture. Export prices will probably be stronger for oilseeds than for grains. As a result, rapeseed, flaxseed, and sunflower area may increase somewhat, and some Canadian grain farmers may leave agriculture. The combined grain and oilseed area will likely decline after the 1986/87 crop year.

The future of Canada's barley trade is not bright, in spite of the fact that the Canadian Wheat Board has shown interest in promoting it. Continued low export prices will signal producers to sell more production domestically to take advantage of slightly higher prices, especially if the cattle cycle turns around soon.

In Argentina, the Economy Will Affect Planting Decisions the Most

Argentina is an important wheat competitor and will remain the chief U.S. corn competitor in coming years. Nonetheless, near-term changes in the domestic economy will lead to several changes in Argentine agriculture.

Currently, Argentina accounts for about one-third of foreign corn exports (about 8 million tons), far more than any other trader. With sorghum exports of about 1 million tons in 1986/87, Argentina is also a major player in global sorghum trade. Declining grain prices in the next 5 years will have only a slight impact on the country, with other economic factors affecting the supply of grains more.

Argentina is shifting away from taxing exports and toward a land-tax system. This will give producers an incentive to expand production for export. To some extent this incentive will offset any decisions to decrease plantings because of low export prices.

Argentina's own economy, rather than the world's, will likely affect planting decisions most. Growth of Argentine grain production and trade will be slow at best. Wheat production and exports are likely to decline over the next 5 years, while corn and sorghum may expand slowly. On balance, Argentina's supply responses will favor oilseeds, with some grains area shifted into sunflowers and soybeans because of more favorable domestic oilseed prices.

Global Supply Impact Mixed

Dramatically reduced world market prices for grain are not likely to have a major impact on any producers other than those already covered. China, a relatively new entrant in the export picture, is now exporting about 6 million tons of coarse grains annually. It is expected to continue to export in the next 5 years, although trade is likely to diminish somewhat as the domestic livestock sector expands.

South Africa is forecast to continue trying to return its exports to the pre-drought levels of the early 1980's. Thailand, benefiting from its location, is likely to maintain its grain export markets in the Far East. Most of the supply responses that may occur are small compared with the continued production gains anticipated in Western Europe, and world grain supplies will stay big.

Besides low prices, other factors will play an important role in determining global grain supplies and export availability. Domestic policies affecting agriculture will dominate in some countries, such as Saudi Arabia's decision to continue to subsidize domestic bar-

ley production. Macroeconomic factors, such as the value of local currency relative to the U.S. dollar, will also shape countries' agricultural policy and supplies. Weather is always a large annual variable.

Nonetheless, no major foreign producer seems to be changing production enough to ease the global oversupply. Grain supplies by the end of the decade are expected to remain large. Global oilseed supplies could also climb, particularly in Argentina, as acreage shifts out of grains.

The intensity of competition will surely remain high in wheat trade, but may ease somewhat for coarse grains as Canadian and Australian producers adjust to new market prices. Unless there is an unforeseen change in EC policy, the European Community will remain the chief grain export competitor of the United States. *[James Cole (202) 786-1691]*

Upcoming Releases from the Agricultural Statistics Board

The following list gives the release dates of the major Agricultural Statistics Board reports that will be issued by the time the December *Agricultural Outlook* comes off press.

November

3	Poultry Slaughter
4	Dairy Products
6	Celery
7	Vegetables
10	Crop Production
13	Turkey Hatchery
14	Milk Production Cattle on Feed
17	Sugar Market Statistics
20	Catfish Farm Labor
21	Livestock Slaughter Cold Storage
24	Eggs, Chickens, & Turkeys
26	Commercial Fertilizer Consumption
28	Agricultural Prices Peanut Stocks & Processing

Farm Finance Update

1986 PRODUCTION COSTS AND RETURNS

Prices for major agricultural production inputs should decline an average 3.1 percent in 1986, and fall further in 1987. Fuels, agrichemicals, and feeds are showing the largest decreases.

For 1986, only autos and trucks, other machinery, and farm services and rent are increasing in the prices-paid index calculated by the National Agricultural Statistics Service, and each of these should rise by less than the forecast 2.2-percent rise in the CPI. For 1987, auto and truck prices may continue going up, but the major rise probably will be in feeder livestock.

Net Cash Returns Up for Livestock, Down for Crops

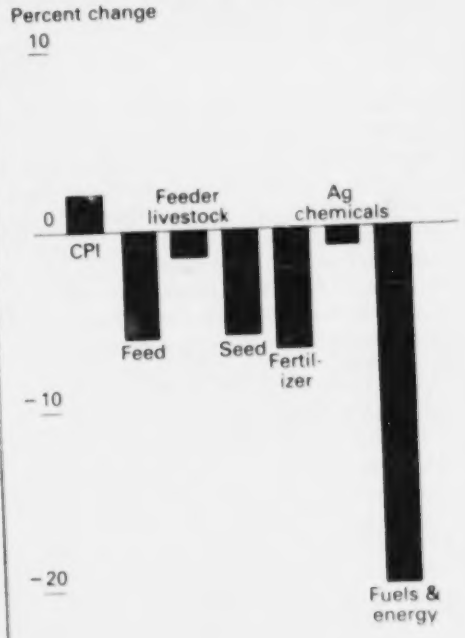
Net cash returns* for the major crops will probably decrease in 1986 if farm prices at harvest average near the loan rate, as expected. For livestock, the lower feed expenses will overshadow any loss in receipts and net cash returns should improve.

Corn receipts are forecast to be down 13 percent in 1986, averaging $225 per planted acre. All major variable-input expenses should decrease, except custom work and hired labor. Fixed cash interest expenses should be down 21 percent. Total cash expense decreases will average near 8 percent, leaving a net cash return of $36 per acre. Returns to management and risk (which includes costs of the farmer's owned factors of production such as land, unpaid labor, and capital) will probably fall from minus $22 in 1985 to minus $49 in 1986.

Costs and returns for grain sorghum will perform similarly to those for corn. Lower farm prices will push cash receipts down 10 percent. Cash expenses will be down an average 8 percent, leaving net cash returns of $18 per planted acre. Long-run returns to management and risk will be minus $45, nearly identical to those for corn.

Wheat grower receipts could fall to a 10-year low. Crop prices and yields have fallen every year since 1983, and enterprise receipts probably will average $74 this year, the lowest since 1977. As with most other field crops, input expenses will be down 7 to 10 percent. Crop receipts, however, will drop 27 percent, leaving net cash returns of minus $8 per acre. Returns to management and risk likely will fall to minus $50.

Inputs Prices Dropping This Year



*Net cash return is a short-run indicator defined as total enterprise receipts (not including Government benefits and off-farm income) minus variable and fixed cash expenses

Costs and Returns for Major Hill Livestock Enterprises, 1985-86*

	Commodity 1985	Commodity 1986	Per Head 1985	Per Head 1986	Change, 1985-86	Per cwt. 1985	Per cwt. 1986
	$/cwt				$/head		
Total cash receipts	264.39	281.25	78.52	79.40	+46.28	69.65	13.64	13.32
Cash expenses								
Total variable 1/	188.50	193.88	36.68	34.38	31.34	38.39	7.34	6.82
Total fixed 2/	26.37	27.23	5.16	4.15	3.86	7.53	2.40	2.02
Total cash expenses	166.87	251.01	65.76	68.48	46.33	37.97	9.74	8.84
Receipts less cash expenses	13.88	30.24	12.76	10.92	9.89	11.68	3.90	4.48
Capital replacement	65.00	65.00	1.00	1.00	0.00	5.77	1.46	1.45
Receipts less cash expenses and replacement	-98.46	-65.76	-53.24	-41.80	+11.44	5.72	2.44	3.03
Economic (full ownership) costs								
Cash expenses (from interest)	222.86	217.38	78.11	77.68	-34.18	58.35	8.20	7.68
Capital replacement	65.00	65.00	1.00	1.00	0.00	5.77	1.46	1.45
Allocated returns to assets								
Equity	122.23	118.63	.28	.28	-.20	.16	.33	.30
Land	78.38	78.24	.66	.66	-.14	4.40	1.57	1.47
Unpaid labor								
Cash (operating)	57.39	57.39	1.78	1.78	0.00	3.86	.38	.97
Non-cash (depreciable assets)	544.39	552.88	62.59	60.39	47.61	46.79	12.34	11.86
Total, economic costs								
Residual returns to management and risk	-388.95	-381.42	8.87	-.76	-5.39	2.71	1.10	1.46
Total, returns to owned inputs	-52.48	-31.91	-.81	1.85	6.42	10.36	3.98	4.20

1/ Preliminary 1985 and forecast 1986. 2/ Includes feed, veterinary and medicine, marketing, bedding, custom feed mixing, fuels, machinery and building repairs, hired labor, and manure credit. 3/ Includes taxes and insurance, general overhead, and cash interest paid on all loans.

Soybean Receipts May Edge Up

Soybean prices will average slightly below last year's $5.10 per bushel, which was the lowest in 10 years. Yields should be good, but enterprise receipts will be only $155. Soybeans do not need nitrogen fertilizer, so the fertilizer price decline will not lower expenses much.

Nevertheless, total cash expenses could be down from $110 in 1985 to $102 this year. If this happens, and all costs and receipts move as expected, net cash returns should improve slightly, reaching $53 per planted acre. After accounting for farmer-owned inputs and discounting cash in-

Selected Per Planted Cost for Major Crops, 1976-86

	Average 1976-79	Average 1980-84	1985	1986
	Dollars			
Corn				
Cash expense	1.43	2.05	1.79	1.59
Cash expense plus replacement	1.62	2.26	2.04	1.89
Economic cost excluding land	1.91	2.23	1.92	1.86
Economic cost including land	2.11	2.83	2.42	2.31
Grain sorghum				
Cash expense	1.27	1.84	1.56	1.46
Cash expense plus replacement	1.62	2.44	1.97	1.90
Economic cost excluding land	1.71	2.51	2.06	2.07
Economic cost including land	2.14	3.09	2.49	2.48
Wheat				
Cash expense	1.81	2.62	2.72	2.75
Cash expense plus replacement	2.58	3.22	3.35	3.47
Economic cost excluding land	2.28	3.21	3.21	3.50
Economic cost including land	3.17	4.15	3.93	4.14
Soybeans				
Cash expense	2.54	3.88	3.30	3.15
Cash expense plus replacement	3.09	4.68	4.01	3.94
Economic cost excluding land	2.99	4.43	3.61	3.49
Economic cost including land	4.99	6.53	5.07	5.24

Costs and Returns for Major U.S. Crops, 1985/86'

Item	Corn		Sorghum		Wheat		Soybeans	
	1985	1986	1985	1986	1985	1986	1985	1986
	$/planted acre							
Total cash receipts (not incl. Gov't payment)	360.16	225.16	190.77	109.26	100.66	73.60	162.72	154.91
Cash expenses								
Total variable 2/	155.10	109.28	65.62	38.24	49.66	46.14	54.10	51.25
Total fixed 3/	77.01	61.67	35.78	32.80	39.72	39.75	56.30	50.56
Total cash expenses	285.11	180.79	99.20	91.04	89.52	81.89	110.40	101.81
Receipts less cash expenses	55.05	36.41	21.37	18.22	11.14	-8.29	52.32	53.10
Capital replacement	33.70	39.68	28.20	27.72	20.30	21.48	23.80	25.18
Receipts less cash expenses and replacement	21.35	-3.28	-6.83	-9.50	-9.16	-29.77	28.52	27.92
Economic (full ownership) costs								
Cash expenses (less interest)	180.90	155.37	80.25	76.82	66.98	63.14	77.17	75.60
Capital replacement	33.70	39.68	28.20	27.72	20.30	21.48	23.80	25.18
Allocated returns to owned inputs								
Net land rent	59.66	53.26	27.61	25.58	23.75	18.98	48.80	47.76
Unpaid labor	13.77	14.37	12.28	12.74	9.63	10.06	10.07	10.51
Capital (operating & other nonland)	17.11	17.10	12.90	12.76	9.13	9.18	9.87	10.04
Total, economic costs	305.19	273.96	161.24	155.62	129.79	122.84	169.71	169.08
Residual returns to management and risk	-22.43	-48.80	-37.99	-45.36	-28.73	-49.84	-6.99	-14.17
Total, returns to owned inputs	60.91	39.94	14.32	5.52	13.78	-11.62	61.75	54.13
Harvest-month price ($/bu)	2.22	1.90	1.89	1.75	2.92	2.35	4.86	4.80
Yield per planted acre (bu) 4/	116.98	118.50	63.74	62.44	32.94	29.82	33.45	32.27

1/ Preliminary 1985 and forecast 1986. 2/ Includes seed, fertilizer, lime, chemicals, custom operations, fuel and lubrication, repairs, drying, ginning, hired labor, purchased irrigation water, and management fees. 3/ Includes taxes and insurance, general overhead, and cash interest paid on all loans. 4/ September estimates.

terest payments, though, returns to management and risk should fall to minus $14, the lowest in 4 years.

Cow-calf receipts are forecast to drop $3, reaching $251 per cow. Calf prices have fallen and yearling prices have increased, essentially balancing out. On the input side, grains, silage, and pasture expenses should be down, as should fuel and hired labor expenses. Estimated receipts minus total cash expenses will leave net cash returns of minus 38 cents per cow, the highest in several years.

Fed-cattle receipts should show improvement of a few cents per cwt. With purchased feed accounting for 25 to 30 percent of total variable costs, lower grain prices definitely are benefiting the industry. Feeder cattle prices have also fallen slightly, so total cash expenses should be down to around $60 per cwt. Net cash returns should improve to minus 88 cents, with long-run returns to management at minus 70 cents. This latter return is better than 1985's minus $3 and 1983's minus $4, but not as good as in 1984 and 1982.

Hog Producers Have Positive Returns

Hog prices are the highest in recent years. Receipts should average around $50 per cwt for 1986 for hog finishers and farrow-to-finish operators. Lower feed costs are also important, and total cash expenses are forecast down $2. Depending on fourth-quarter market hog prices, farrow-to-finish producers could see net cash

Methodology: Receipts Omit Direct Government Payments

Estimates of receipts omit direct Government price support payments, except for peanuts, milk, and wool, commodities that the Government supports through direct market intervention. As a result, the value of production reflects the combined market price and masks Government payments.

In contrast, most crop price-support programs are voluntary and contain special provisions for compliance. In the cost of production budgets, both program payments and the costs of compliance are excluded, so cost and return information can be used to determine if support prices will encourage or maintain production at adequate levels.

Some of the terms used in cost of production budgets are analogous to terms used in farm income statements. Cash expenses are out-of-pocket costs incurred in the production process. On a per-unit basis, they show the minimum breakeven price needed, on an average acre of cropland, to raise a crop with a given yield.

Capital replacement (or economic depreciation) represents an estimate of the value of the machinery, equipment, and breeding stock used up during the year, plus the additional cost required to bring these items up to the same level of quality/quantity that they were at the beginning of the period. Since the producer can delay replacing capital items for a short time, the cash-flow position of producers can be determined by subtracting cash expenses from estimated receipts with or without capital replacement.

Economic (full ownership) costs provide a full accounting of both cash and noncash costs for an average acre to produce the given yield, regardless of tenure or equity. On a per-unit basis, economic costs show the long-run average price necessary to continue producing the crop and break even.

All cash expenses, including replacement costs but excluding cash interest, are included in economic costs. Interest is excluded because it implies a certain equity position of the operator.

Subtracting the sum of cash expenses (less interest) and capital replacement from total receipts gives the residual return to owned inputs. The residual returns can then be allocated to cover the costs of capital invested in operating inputs, machinery and equipment, land (rent), and unpaid labor. Total economic costs are subtracted from total receipts to give a return to management and risk. This return to management and risk is not profit or loss, since it excludes Government program payments, income taxes, and other factors such as marketing expenses. *[Bob McElroy (202) 786-1801]*

returns of $13 to $15 per cwt. This cash in hand will be more than enough to cover capital replacement as well as returns to owned inputs, so hog producers should have positive returns, an unusual situation in the livestock business.

Milk receipts have fallen in recent years, and 1986 is no exception. Forecast receipts, including sales of culls, calves, and replacements, should average slightly over $13 per cwt. Because of lower feed costs, total cash expenses should stand at $9, down $1 from 1985. Returns will be up over last year, with a net cash return of $4.48 and managerial returns of $1.46. *[Bob McElroy (202) 786-1801]*

FARM CREDIT SYSTEM UPDATE

The Farm Credit Corporation of America (FCA) and the U.S. General Accounting Office recently issued reports on the financial condition of the Farm Credit System (FCS). These reports conclude that the FCS will need Federal assistance or regulatory changes to avoid insolvency. Current indications are that in the absence of any significant changes to the FCS's condition, insolvency will occur in fiscal 1987.

The main issue facing the FCS is whether the farm crisis has reached bottom: Will farm asset values stabilize, reducing farmers' debt-service difficulties, or will values keep slipping? Three key variables provide insight into the difficulties of the FCS:

The proportion of nonperforming loans in the FCS portfolio. FCS loan volume on December 31, 1985, was $69.8 billion, while on June 30, 1986, it was $65 billion. While the amount of loans outstanding has declined $5 billion, the number of nonaccrual loans has increased. (Nonaccrual loans are more than 90 days past due. The bank stops adding interest to the delinquent balance, generally in preparation for foreclosure or other action.) The total effect has been fewer performing loans in the FCS portfolio. As of June 30, 1986, the ratio of nonperforming to total loans was 11.7 percent, while on December 31, 1985 it was 7.6 percent. Thus, nonaccruals increased, and the volume of performing loans decreased, resulting in lower income earned by the FCS.

Allowance for loan losses. If the security or continued performance of a loan is suspect, the FCS's operating regulations require a charge to its earnings—an allowance for loan losses. This charge reduces the system's net income. In the last three quarters, the declining quality of the FCS's loan portfolio has resulted in allowance for loan losses roughly

equal to the net loss of the system. When these loan losses are charged against earnings will affect when the system is declared insolvent.

The system's interest costs. Like all financial intermediaries, the FCS relies on the spread between the rate it pays for money and the rate at which it lends that money to generate income. Currently, the FCS has a relatively high and fixed cost of debt service, resulting from $30 billion of high-rate coupon bonds issued in the late 1970's and early 1980's. With interest rates in the economy generally declining, the FCS has become an uncompetitive lender, since it cannot lower its rates without failing to meet its payments to bond holders.

These steep lending costs induce high-quality borrowers to seek non-FCS financing. The high FCS rates also add to the difficulties of farmers in poorer financial condition—who can get credit only from the FCS. A continued decline in general interest rates will only exacerbate this difference in the short run, until the FCS bond portfolio can be rolled into lower coupon issues.

Underlying these three key factors are the events that mold expectations for the FCS. Although net cash income in the farm economy is high, this partly reflects large Government payments. Uncertainty about continued high Government support appears to be limiting farmers' willingness to bid for land, particularly given large commodity inventories.

Since roughly two-thirds of FCS loans are made by land banks, projections of land prices are critical in establishing the value of the assets securing the bulk of the system's loans. Declining land values require further additions to the FCS allowance for loan losses—both because performing loans are less secure and because the system's acquired property is worth less.

Regionally, the drought in the Southeast and the oil price collapse, which affected the Southwest, increased losses for the FCS banks servicing those regions. Thus, while conditions in the Midwest appear to have stabilized, other area economies have deteriorated further.

New Legislation Introduced

Several bills have been introduced in Congress in the last few months to address the high cost of FCS funds to borrowers. These have been combined into the Amendments to the Farm Credit Act of 1986. This legislation has several key components:

- It amends the accounting standards introduced last year to allow the system to defer recognition of loan losses. This would allow the FCS to stream expected loan losses into the future rather than charge them all against a single period's income. Since over the last few quarters the system's negative income has been roughly the same size as its provision for loan losses, this change should significantly reduce recorded losses in the near future.

- The system would receive the authority to reduce its current cost of funds, possibly by entering the secondary bond market, buying back high-coupon-rate bonds, and replacing them with bonds paying current lower rates. To do so would cost the system in excess of $3 billion, since the high-rate bonds sell at a premium over their face value. The legislation would allow this loss also to be amortized over time rather than recognized immediately, as would be required under generally accepted accounting principles. Alternatively, the FCS could issue new bonds and use the proceeds to subsidize interest payments on the high-coupon bonds. Once again this would defer current expenses into the future.

- The FCS would be granted authority to set interest rates on loans to borrowers without prior FCA approval, enabling the system to charge differential rates to borrowers based on differences in risk, competition, and cost of funds.

These modifications are limited, since the first two amendments expire at the end of 1988, and all three require approval of the FCA and are to be used only to buy the system time to digest its losses. Implicit in the amendments is the expectation that conditions in the agricultural sector will not significantly worsen.

These changes provide a mechanism for the system to defer a significant portion of its losses to future dates. Of course this will result in higher total costs because of extra interest payments. By that time, conditions are expected to have improved enough that losses and the associated cost of deferral can be absorbed out of current earnings.

If this assumption holds, the relief process could forestall FCS insolvency. Lowering interest costs on system debt provides an opportunity to lower loan rates to borrowers, which should help stabilize performing loan volume both by reducing borrower flight and by improving the cash flow of financially stressed farmers. Reduced provisions for loan losses, as result of the FCS's being allowed to defer recognition of loan losses, will have a significant impact on earnings. With these changes, ERS analysis suggests that the FCS should be able to return to the black by the end of the decade. *[David Freshwater (202) 786-1885]*

Transportation

PORT SHARES OF AGRICULTURAL EXPORTS

The volume of exports shipped from various ports depends upon U.S. production patterns; inland and ocean transportation costs; port capacities; and the level and location of foreign demand. As the volume of U.S. grain and soybean exports declined after 1980, shares of grain exports moving through the major U.S. ports shifted.

By 1985, U.S. grain exports had fallen 30 percent from the 1980 peak of nearly 4.9 billion bushels. Volume through Great Lakes ports dropped the most—62 percent. Gulf ports suffered the least, 24 percent. The Atlantic and Pacific ports' volume fell 38 and 31 percent, respectively.

Ocean freight rates appear to explain much of the discrepancy in declines. Generally, the Atlantic, Great Lakes, and Gulf ports compete for exports moving east, especially to Europe. Between 1980 and 1985 all rates to Antwerp-Rotterdam-Amsterdam fell markedly, with most of the decline occurring by 1982. While all rates fell, the Great Lakes rates remained well above those of competing ports. Gulf rates have remained somewhat above those of the Pacific ports, whose share of total exports has often been greater than in 1980.

Gulf Ports

Since before 1970, Gulf ports (Texas, Louisiana, Mississippi, and Alabama) have dominated U.S. grain exports, accounting for 60 to 68 percent of overseas shipments. Exports through the Gulf ports reached their highest volume in 1982, 2 years after total exports peaked. Since then exports through these ports have fallen off, showing a dramatic 570-million-bushel drop between 1984 and 1985. Despite the drop, though, the Gulf ports retained their market share. During 1984 and 1985, they continued to account for 50-60 percent of wheat exports, more than 60 percent of corn exports, and about 80 percent of soybean exports.

A variety of factors give the Gulf this dominance. The most obvious is that ocean rates to Europe from the Gulf are well below those from the Great Lakes and about the same as those from the Atlantic.

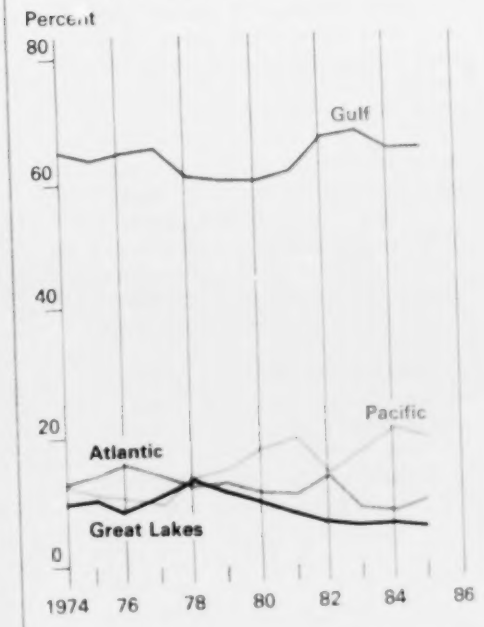
The Gulf ports also benefit from relatively low inland transportation rates. The east Gulf ports are served by the Mississippi River system, which connects them via low-cost barge service with the Midwest's major grain- and soybean-producing areas. Competition with railroads is strong, so transportation rates are held down.

Texas wheat finds a natural export outlet through west Gulf ports. Texas produced nearly 6 percent of U.S. wheat in 1984, and exporting it is easier than shipping it to Eastern population centers. Contract rail rates, which have been available since 1980, afford Oklahoma and Kansas wheat producers favorable marketing opportunities at Texas ports. Gulf port States accounted for 8-9 percent of wheat production during 1984-85, 7-9 percent of soybean production, and about 2 percent of corn production. Thus, substantial volumes of these commodities are available for immediate export.

Atlantic Ports

Atlantic ports are relatively close to several major grain-producing areas, so their export shipments can be accumulated and shipped through an Atlantic port more rapidly than through a Gulf port. States bordering the Atlantic ports accounted for 6 percent of the corn and nearly 8 percent of the soybeans produced in 1984. Four of these States (Virginia, North Carolina, South Carolina, and Georgia) lie in

Gulf Ports Handle Most Grain and Soybean Exports



the Southeast, where harvest normally takes place much earlier than in the Midwest. As a result, the Atlantic ports have seasonal access to substantial volumes of grain.

In 1984 and 1985, Atlantic ports accounted for 11-13 percent of corn exports and about 10 percent of soybean exports. Since Atlantic States produce little wheat (3 percent of the total in 1984), and are located relatively far from major wheat-producing areas, the Atlantic ports accounted for only about 4 percent of wheat exports in 1984-1985.

Great Lakes Ports

Shipments of grain through the Great Lake ports have declined since 1979, except in 1984, when a 5-percent increase occurred. Similarly, these ports' share of total exports has declined except in 1984.

States bordering the Great Lakes are major grain producers. In 1984-85, these States accounted for 13 percent of all wheat, 47-48 percent of all corn, and 42-44 percent of all soybeans grown in the United States. Thus, the ports have ready access to grains and soybeans. Some of the Great Lakes ports use barge transportation.

Shipments from Great Lakes ports chiefly go to Northern Europe, seldom to Asia. Distance alone does not explain either rates or shipping patterns. While Japan is 2,800 nautical miles farther from Chicago than from New Orleans, Bombay is 300 nautical miles closer.

Ocean rates from the Great Lakes to Europe tend to be at least twice those from Atlantic or Gulf ports. The voyage through the Great Lakes and the St. Lawrence River requires passage through locks and restricted waters where only slow speeds are possible. The voyage from Duluth to the Atlantic Ocean under optimum conditions requires more than 8 days. Also, tolls and fees are imposed on all vessels steaming through Lake Ontario and the Welland Canal, with the exact charge depending on ship size and load.

A vessel carrying 25,000 metric tons of grain is now charged about $1.13 per ton of cargo for the outbound voyage. Another slightly lower fee schedule applies to vessels entering the seaway. Most vessels entering the Great Lakes for grain cargoes are empty, so the outbound ocean freight rates must cover two sets of fees.

Moreover, the depth of water in the Welland Canal prevents the use of large vessels. Ships in the canal are permitted to load to a draft of 26 feet; in coastal ports, vessels are usually loaded to at least 42 feet. (Draft is the measure from the water surface to the ship's bottom.)

Vessels using the seaway are also limited regarding length and breadth. As large vessels are substantially more efficient than small, per-ton operating costs tend to be much higher for shipments from the Great Lakes. During the first half of 1985 the largest grain shipment from the Great Lakes was 27,400 metric tons, while shipments from the Gulf averaged 57,700 metric tons.

Winter weather halts navigation on the Great Lakes for about 3 months each year. A 9-month shipping season means that each bushel exported must bear a higher proportion of the export facilities' fixed costs. The short season also precludes responding to rapidly developing export opportunities during the winter months.

Pacific Ports

Since 1978, the Pacific Coast ports have had the second largest share of export volume—13 to 20 percent.

Columbia River ports account for most grain exporting from the Pacific Coast. Ports in Puget Sound and California also handle substantial amounts.

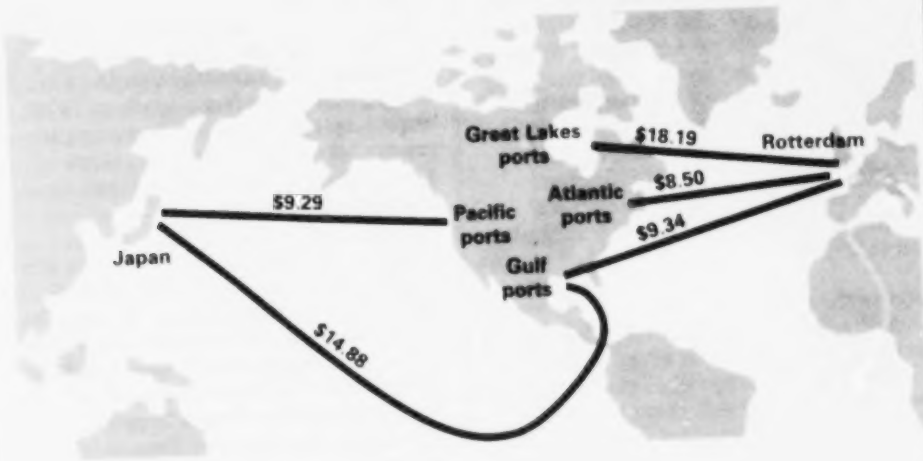
The States containing the Pacific Coast ports are significant producers of wheat, accounting for 10-11 percent of U.S. production in 1984-85. The Columbia River ports are linked to the wheat-producing areas of Washington, Oregon, and Idaho by the Columbia-Snake River system, which offers low-cost barge service. In most years, the combination of readily available wheat and low-cost transportation causes wheat to account for 40-70 percent of the grain moving through Pacific Coast ports.

Because of proximity, ocean freight rates to Japan and other Southeast Asian nations from the Pacific Coast tend to be substantially below those from Gulf or Atlantic ports. The voyage from New Orleans to Yokahama, Japan, is nearly twice as long as that from Portland, Oregon.

In general, the Pacific Coast is much less advantageously located for exports of grains other than wheat. Pacific Coast States account for 1 percent or less of U.S. corn production and raise virtually no soybeans. This means that most corn and any soybeans exported must be transported overland, usually at a relatively high cost. Despite this disadvantage, the Pacific ports have handled substantial volumes of corn, other feed grains, and soybeans during the 1980's.

In 1984, firm Asian demand for corn and new, relatively low unit-train rates from the Midwest to the Columbia River Basin caused corn exports through the Pacific Coast to nearly double from 1983, slightly exceeding wheat exports. In 1985, however, Asian demand fell off, reducing corn exports 30 percent and wheat exports 20. *[T. Q. Hutchinson (202) 786-1864]*

Great Lakes Ports at Competitive Disadvantage for Grain Shipments



Agricultural Policy

SOUTH AFRICAN TRADE SANCTIONS

In early October, the U.S. Senate voted for trade sanctions against South Africa. Will there be a measurable effect on the U.S. and South African agricultural economies? South African agricultural exports were valued at over $1 billion in 1985—40 percent of agricultural gross domestic product. Exports included fruit and fruit products, corn, wool, sugar, hides and skins, and mohair.

However, agriculture accounts for only 6 percent of total South African exports. Minerals are the biggest category, with gold accounting for 42 percent in 1985.

U.S. agricultural imports from South Africa, valued at $98.3 million, were only 0.38 percent of total U.S. agricultural imports in 1985. In 1986, they are estimated to drop to $75 million. The sanctions prohibit importation of agricultural commodities and products from South Africa.

South Africa's agricultural imports totaled $870 million in 1985. The United States supplied $108.4 million of these, mainly grains, oilseed products, tallow, and seeds. For 1986, U.S. sales are estimated at $75 million, only 0.27 percent of total U.S. agricultural exports. *[L.A. Wituck (202) 786-1680]*

Destinations of South Africa's Agricultural Exports

	Percent
Europe	30
United Kingdom	20
West Germany	9
Asia	25
Japan	11
Africa	12
United States	10

Major Agricultural Suppliers to South Africa

	Percent
Western Hemisphere	42
United States	20
Argentina	12
Chile	4
Europe	27
United Kingdom	11
Netherlands	4
West Germany	3
Asia	17
Africa	10
Australia	4

COMMODITY PROGRAMS ANNOUNCED

The 1987 feed grain, cotton, and sugar programs have been announced. Provisions given here are subject to change.

In general, program announcements indicate that:

- There will be no inventory reduction program.
- No marketing quotas are in effect for the 1987 crop.
- Limited cross-compliance is in effect for 1987. To receive benefits under the wheat, feed grain, cotton, or rice programs, a farmer may not plant for harvest any program crop on a farm in excess of its acreage base.
- Offsetting adjustments of up to 10 percent in crop acreage bases will not be permitted.
- Offsetting compliance will not apply.
- Actual yields in 1987 and subsequent years will not be used to establish 1988 program yields.

Commodity Programs Announced

Feed Grains:	1986	1987
CORN 1/		
Loan rate ($/bu)	1.92	1.82 2/
Target price ($)	3.03	3.03
Maximum deficiency payment ($)	1.03	1.21
Acreage reduction (%)	17.5	20
Paid land diversion (%)	2.5	None announced

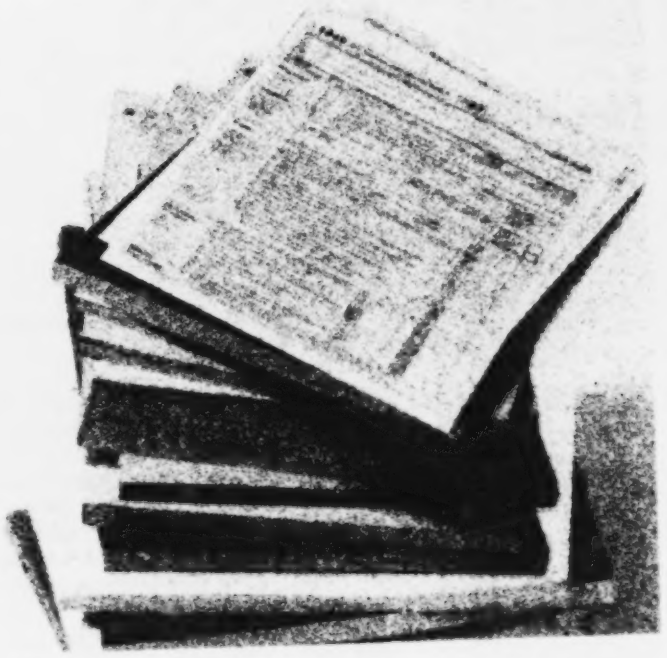
1/ Loan rates and target prices for sorghum, oats, barley, and rye set proportional to corn. 2/ None has been announced; this is the minimum allowed by law.

Cotton:	1986	1987
Loan rate (¢/lb)	55	52.25 1/
Target price (¢/lb)	81	79.4
Maximum deficiency payment (¢/lb)	26	27
Acreage reduction (%)	25	25
Marketing loan program	Plan A	Plan B 2/

1/ None has been announced; this is the minimum allowed by law.
2/ Under plan B, a producer will be allowed to repay a price support loan at the lesser of the announced loan level or the adjusted world price. However, if the adjusted world price is less than 80 percent of the loan level (41.8 cents), a producer may be allowed to repay a price support loan at a level that is between the adjusted world price and 80 percent of the loan level, and that the Secretary determines will minimize forfeitures of loan collateral, minimize stock accumulation, minimize storage costs, and allow U.S. cotton to be competitive.

Sugar:	1985/86	1986/87
Loan rate ¢/lb. 1/	18	18
Cane sugar	21.06	21.09
Beet sugar	21.50	21.78
Market stabilization price 2/		

1/ Not including Gramm-Rudman-Hollings reduction. 2/ MSP = 18¢ loan rate + 2.93¢ transportation cost + 0.65¢ interest charge + 0.2¢ marketing incentive.



The New Tax Law and Its Effect on Farmers

Almost 2 years after the Department of the Treasury released its recommendations for reforming the U.S. tax code, the President signed into law the Tax Reform Act of 1986. Most provisions take effect January 7, 1987. The reform is the most comprehensive overhaul of the Federal income tax system in over 30 years, and it has many provisions that will affect agriculture.

The act is revenue neutral—that is, it is not expected to bring in more or less tax money in total. But, it shifts the distribution of the tax burden. Over the next 5 years, individuals are expected to pay about $120 billion less in taxes, while corporations pay $120 billion more.

Like earlier reform proposals, the act provides substantial reductions in marginal tax rates and broadens the income tax base by eliminating many of the loopholes and tax shelters that have crept into the system over the years.

Greatest Impact on Overall Investment in Agriculture

The impact of the Tax Reform Act on an individual farmer will depend, among other things, on the farmer's income and investments. For most farmers, the tax burden should not change substantially. The most significant change will occur for those livestock producers with relatively high annual investment and a large proportion of their gross receipts from culled livestock. Many of these producers will face higher taxes.

For the majority of farmers, however, the most important effects of the new law are those on aggregate agricultural investment, rather than the impact on individual tax liability. The current tax system has encouraged the growth of existing farm businesses and attracted tax-motivated investments in farming. This has distorted relative input and commodity prices and has given an advantage to those able to benefit the most from the tax breaks.

Under the Tax Reform Act, reduced marginal tax rates and the elimination of some tax preference items will cause income earned within and outside of farming to be treated more equally. As a result, future decisions to invest in agriculture will be based more on economic returns and less on tax benefits.

The most significant changes that affect agriculture include:

- reductions in individual and corporate tax rates,
- elimination of the investment tax credit,
- changes in tax depreciation rates and write-off periods,
- restrictions on deductions for the prepayment of farm expenses,
- limitations on using losses from farming to shelter other income,
- repeal of the capital gains exclusion, and
- changes in the deductibility of various development costs.

Tax Brackets Reduced to Two; Deductions Changed

The current income tax system contains 14 brackets with tax rates ranging from 11 to 50 percent. The personal exemption is $1,080 and the standard deduction is $3,670 on a joint tax return. Rate brackets, personal exemptions, and standard deductions are indexed for inflation.

New Accelerated Cost Recovery System

Asset category	Tax life	Depreciation rate*
Horses & breeding hogs	3	200%
Sheep and goats, autos & light trucks, breeding & dairy cattle	5	200%
Most other depreciable farm machinery & equipment, including crop storage & single-purpose agricultural structures	7	200%
Orchards & vineyards	15	150%
General-purpose farm structures	20	150%

*Declining-balance method at rate specified. For example, depreciation deductions for a dairy cow would be determined by reducing the cost by previously deducted depreciation, if any, and multiplying that balance by 40 percent (twice the 20-percent straight-line rate).

Beginning in 1988, the new tax system will have only two brackets: 15 and 28 percent.[1] In 1987, there will be five tax rates: 11, 15, 28, 35, and 38.5 percent. The personal exemption will be increased to $1,900 in 1987, $1,950 in 1988, and $2,000 in 1989. The standard deduction will rise to $5,000 on a joint return in 1988. The rate brackets, personal exemptions, and standard deductions will continue to be indexed for inflation. For a family of four filing a joint return, these changes will reduce taxable income by about $5,000 per year.

To broaden the tax base, some deductions will be eliminated. The main nonbusiness deductions repealed include the two-earner deduction for married couples and the itemized deduction for State and local sales taxes. Income averaging will also be repealed. Deductions for contributions to individual retirement accounts will be eliminated for joint filers covered by business pension plans and having adjusted gross income over $50,000.

Now, more than half of all farmers are in tax brackets over 15 percent. Under the new act, between 75 and 80 percent of all farmers will be in the new 15-percent bracket.

Federal income taxes paid by individuals on their farm and nonfarm income will be about the same or less than under current law. The higher personal exemptions and standard deductions and lower tax rates should offset losing some deductions and credits. In fact, raising the personal exemption to $2,000 and the standard deduction to $5,000 will reduce the taxable income of individuals with farm profit or loss by about $10 billion annually. Self-employment (Social Security) taxes for most farmers should also decline slightly.

Corporate Tax Rates Lower

Under current law, corporate tax rates are graduated, with a top rate of 46 percent. Under the Tax Reform Act, the top rate will be reduced to 34 percent. The graduated structure will be retained for corporations with taxable income of $335,000 or less.

Between 1974 and 1982, the number of corporate farms increased from about 28,000 to almost 60,000. This growth came almost entirely from an increase in family and other closely held farming corporations. Much of the growth can be attributed to Federal tax policies that favor corporations. While most small family farm corporations will continue to benefit from the graduated tax rate structure under the new law, sharp cuts in individual tax rates will reduce the incentive to incorporate.

Depreciation and Investment Tax Credit Changed

The Accelerated Cost Recovery System (ACRS) enacted in 1981 allows depreciable assets to be written off at accelerated rates over periods of 3 to 19 years, depending upon the type of asset. Most farm assets are written off over 5 years. Depreciation deductions are based on the historical cost of assets and thus are not indexed for inflation. Each taxpayer can immediately deduct up to $5,000 of investment each year.

Most depreciable farm property also qualifies under current law for the 6- or 10-percent investment tax credit. Qualifying farm property includes machinery; equipment; livestock purchased for dairy, draft, breeding, or sporting purposes; crop storage facilities; and single-purpose agricultural structures. For farmers and others who plant trees for timber, up to $10,000 a year of reforestation expenditures are eligible for the investment tax credit. These expenditures can also be amortized over 7 years.

Under current law, if the full tax credit is claimed, the basis for depreciation (cost of the asset) is reduced by 50 percent of the investment tax credit. Alternatively, the taxpayer may reduce the original 6- or 10-percent credit by 2 percentage points. For example, the purchaser of a farm tractor may claim the full 10-percent tax credit and depreciate only 95 percent of the tractor's cost, or take an 8-percent tax credit and depreciate its full cost.

Under the new tax law, the ACRS will be retained with modifications (see table). The option to immediately deduct up to $5,000 of investment will be increased to $10,000 for businesses which invest less than $200,000 per year. Depreciation deductions will not be adjusted for inflation.

The Tax Reform Act repeals the investment tax credit effective January 1, 1986. But, credits acquired in the past may still be used, in gradually declining percentages. In 1987, 82.5 percent of unused credits may be carried forward; in 1988 and after, 65 percent may be used. The 10-percent credit for reforestation expenditures is retained. Farmers earning 50 percent or more of their gross income from farming are allowed to carry existing investment tax credits back 15 years in recalculating past taxes owed. However, the refund under this carryback provision is limited to the lower of: (1) 50 percent of the amount carried over, (2) the taxpayer's net tax liability for the past 15 years, or (3) $750.

Under the new law, depreciation rates will be accelerated but recovery periods will be lengthened. This, in combination with the loss of the investment tax credit, will raise the cost of farm capital about 10 percent. This increase should result in slightly lower investment in agriculture. In addition, the new law's failure to adjust depreciation deductions for inflation will result in continued fluctuations in incentives to invest.

Over One-Third of Farm Investments Will Be Deductible as Current Expenses

The new law's option to deduct up to $10,000 per year as a current expense will allow over one-third of all farm investment to be currently deducted. Ninety percent of all farmers will simply deduct their total investment for the year and will not be burdened with the complexities of calculating depreciation. The increase in the cost of capital will be only about 6 percent for these farmers.

Farmers currently claim in excess of $1 billion in tax credits per year. However, a large share of this is claimed by individuals with high incomes to shelter. Farmers with gross receipts between $50,000 and $500,000 are able to

[1] Phase-out of the benefits of the 15-percent bracket and the personal exemption amount beginning at $71,900 for joint returns will result in an effective marginal rate of 33 percent for these high-income taxpayers.

Comparison of Current and New Tax Law

Tax provision	Current law	Tax Reform Act
Standard deduction (joint return)	$3,670	$5,000 1/
Personal exemption	$1,080	$2,000 2/
Individual tax rate schedule (joint return)	14 brackets 11% bottom rate 14% over $4,530 25% over $22,880 33% over $34,310 50% over $171,580	2 brackets 3/ 15% bottom rate 28% over $29,750
Corporate tax rate schedule	5 brackets 15% bottom rate 18% over $25,000 30% over $50,000 40% over $75,000 46% over $100,000	3 brackets 15% bottom rate 25% over $50,000 34% over $75,000
Income averaging	Allowed if income is $3,000 more than 140% of prior 3-year average income.	Repealed.
Investment tax credit	Rate of 6% or 10% for most types of depreciable farm capital.	Repealed. Carryover of 65% of unused credits, and 15-year carryback for farmers resulting in refund of up to $750 of unused credits.
Tax depreciation	Most farm assets —5 years, 150% declining balance method. No indexing.	Auto, light trucks and most livestock —3 years. Most farm equipment —7 years, 200% declining balance method. No indexing.
Expensing (annual limit)	Up to $5,000, increasing to $10,000 in 1990.	Up to $10,000.
Capital gains	Exclusion —60%. Top tax rate —20%.	Repeal of exclusion. Top tax rate —28%.
	Breeding and dairy livestock qualify for the exclusion.	All gains are taxed as ordinary income.
Deductions for passive losses	Passive losses can be used to offset other income, and can be carried forward.	Passive losses cannot offset other income but can still be carried forward.
Cash accounting	Most farms eligible. Farm corporations with sales over $1 million must use accrual accounting.	Same as old law, but new limits on deductibility of prepaid expenditures.
Development expenditures	Immediate deductions for cost of raising dairy and breeding cows and developing new orchards and vineyards.	Capitalization of expenditures for plants or animals with preproductive period of more than 2 years. Option to avoid capitalization by using straight-line depreciation.
Soil and water conservation, land clearing costs	Immediate deduction of S&W conservation and land clearing expenditures.	Repealed except for S&W plans approved by USDA or comparable authority.
Fertilizer, lime, & other soil conditioners	Immediate tax deductions for all expenditures.	No change from current tax law.
Health insurance costs	Not deductible by the self-employed.	25% of health insurance costs deductible. 4/.

1/ Effective Jan. 1, 1988; $3,760 for 1987. 2/ Effective Jan. 1, 1989; $1,900 for 1987 and $1,950 for 1988. 3/ Rates for 1987 would be 11, 15, 28, 35, and 38.5 percent. 4/ Deduction applies only to tax years after 1986 and before 1990.

Rules Change for Discharge-of-Indebtedness Income

Under current law, forgiven debts are considered taxable income to the debtor. Thus, a farmer who turns over farm property in satisfaction of debt or who participates in a debt write-down program may have to pay more taxes than he would otherwise.

Under the current law, three types of exclusions permit the taxpayer to avoid considering discharge of indebtedness as income: actual declared bankruptcy, insolvency, and qualified business indebtedness. These exclusions still require the taxpayer to charge the forgiven debt as income to reduce various tax attributes he may have acquired (e.g., net operating losses or investment tax credit carryovers) which could provide future tax benefits. The exclusion for qualified business indebtedness is limited to the amount of the taxpayer's basis in depreciable business assets.

The exclusions provided under current law are frequently inadequate to facilitate restructuring or renegotiation of agricultural loans. The exclusion for insolvency provides no protection to farmers whose assets exceed their debts but who have insufficient cash to pay off their debts. In addition, the exclusion for qualified business indebtedness may be of limited use to farmers, since debts for farmland do not qualify for the exclusion.

The Tax Reform Act provides a new exclusion for the farm debt of a taxpayer who received more than half of gross receipts for the preceding 3 taxable years from farming. The new exclusion treats discharge-of-indebtedness income as if it were realized by an insolvent taxpayer. Thus, discharge-of-indebtedness income will be forgiven—not considered taxable—after reduction of tax credits, net operating loss carryovers, and basis in any remaining farm assets, including farmland. This treatment applies to discharges after April 9, 1986.

claim only about half of the investment tax credit available to them because many of them owe no taxes.

Farm sole proprietorships held over $3 billion in accumulated tax credits in 1983. While more recent information is not available, it is likely that current accumulated tax credits equal or exceed this level. A large share of these unused credits is held by farmers with substantial debt and little or no off-farm income. Thus, these farmers will be the primary beneficiaries of the provision that allows taxpayers to get a refund on taxes already paid by carrying back existing tax credits. These farmers will also suffer the largest share of the loss due to the gradual reduction in the percentage of tax credit that can be carried over to future years. This reduction could cost farmers about $1 billion in unused tax credits.

Special Capital Gains Treatment Ended

When property used for business or held as an investment is sold, generally any profits qualify for capital gains treatment. Under current law, only 40 percent of long-term capital gains must be included in taxable income. With the top tax rate at 50 percent, the maximum tax on long-term capital gains is 20 percent (40 percent taxable times 50-percent tax rate). Farm assets eligible for the exclusion include dairy and breeding livestock and farmland.

Under the new law, capital gains treatment will be eliminated; these gains will be taxed as ordinary income. Thus, for an investor in the top 28-percent tax bracket, the maximum tax rate on long-term capital gains will increase from 20 to 28 percent. Most farmers will be in the new 15-percent bracket and will therefore pay 15 percent on capital gains. Many of these farmers currently pay a tax of less than 10 percent on long-term capital gains.

For dairy farmers who have contracted to sell their cattle under the Dairy Termination Program, the new act provides a transition from the old capital gains treatment to the new. Gains from dairy cattle sold under the program will continue to qualify for special capital gains treatment through September 1, 1987.

The Tax Reform Act also provides that any profit from selling converted wetland or highly erodible cropland used for farming after March 1, 1986, be taxed as ordinary income, not capital gains. In addition, any loss is treated as a long-term capital loss.

Cash Accounting Can No Longer Be Used To Defer Taxes

Since 1915, farmers have been allowed to use the cash method of accounting for Federal income taxes, on the grounds that the more complicated accrual accounting would be a burden. On 1982 Federal income tax returns, about 98 percent of farm sole proprietorships used the cash method, as well as many farm corporations and partnerships.

Under cash accounting, expenses are deducted in the year they are paid, income is recognized in the year it is received, and changes in the value of inventories are ignored. This greatly simplifies recordkeeping. However, it permits investors to mismatch income and expenses by taking deductions in the early years of an investment, while postponing taxes on income by building inventories that are not taxed until they are sold.

Because some tax-shelter investors have abused cash accounting, Congress earlier attempted to limit its application. Under current law, some nonfamily corporations with gross receipts over $1 million are prohibited from using cash accounting. In addition, farm syndicates and cash basis tax shelters are required to claim tax deductions for feed, seed, fertilizer, and similar inputs in the years they are used, regardless of when they were purchased.

The Tax Reform Act retains cash accounting with some further conditions. Farmers who use it will not be able to deduct prepaid amounts for feed, seed, fertilizer, or similar supplies beyond half of total farm expenses (excluding the prepaid farm supplies) until the inputs are actually used. A similar rule will apply to certain poultry costs. However, a taxpayer who lives on the farm and whose principal occupation is farming will not be subject to the new limitation if (1) the prepayment limitation has been met for the 3 preceding tax years, or (2) the excess prepayment is due to a business operations change caused by extraordinary circumstances.

In effect, by retaining the right to use cash accounting but limiting prepayment deductions, the new law will allow farmers to continue using cash accounting because of its convenience, but will restrict the abuse of the system to

defer taxes. Providing exceptions for some farmers will ensure that the limitation will affect only the true abusers of the ability to deduct prepayments.

Land-Clearing No Longer Deductible As Current Expense

Under current law, farmers are permitted to claim immediate tax deductions for expenditures on soil and water conservation, land clearing, and fertilizer, lime, and other materials used to enrich or condition the soil. The soil and water conservation deduction is limited to 25 percent of the taxpayer's gross income from farming. The land-clearing deduction cannot exceed $5,000 or 25 percent of net taxable income from farming, whichever is smaller. Sole proprietors now claim about $200 million for soil and water conservation and land-clearing expenditures each year.

The Tax Reform Act no longer allows land-clearing expenditures to be currently deducted. The expenditures must be added to the basis of the land and recovered only when the land is sold. However, routine brush clearing and similar activities on land already cultivated will continue to be currently deductible as ordinary business expenses. Repealing the special provision for land clearing is designed to reduce the current incentive to bring additional, sometimes marginal land into production.

Fertilizer and soil conditioning expenditures will still be currently deductible. Soil and water conservation expenditures also will continue to be currently deductible if they are consistent with a conservation plan approved by the USDA Soil Conservation Service or a comparable State agency. But, expenditures for general earth moving, draining, or filling of wetlands, or the costs of preparing land for installation or use of a center pivot irrigation system, will no longer be currently deductible as soil and water conservation costs.

Development Expenditures Restricted

Under current law, farmers may claim immediate tax deductions for the development of certain capital assets. For example, the cost of raising dairy, draft, breeding, and sporting livestock to maturity and the costs of caring for new orchards and vineyards until they reach bearing age may be deducted in the tax year in which such expenses are paid. Most costs of producing timber, except for planting costs and cultural practices before the seedlings are established, are also currently deductible.

This immediate deduction of development costs distorts the expenses and income from the developed asset. This mismatching has been used to generate immediate losses that can then be written off against income from other sources. Farm assets, among others, have been used to create such tax shelters.

Concern about how investments in such shelters were affecting farm production and prices prompted Congress in the past to place restrictions on the deductibility of some development expenses. Thus, citrus and almond grove developers, farm syndicates, and some farm corporations are required to capitalize (add to the cost or basis of the asset) some preproduction costs. However, a special rule allows growers to immediately deduct the cost of replacing plants lost because of freezing, disease, drought, pests, or other casualty, if the grower replants the same type of plants on the same property.

Under the Tax Reform Act, preproductive expenditures for animals and plants (except timber) with a development period of 2 years or longer must be capitalized and either claimed later as depreciation deductions or subtracted at the time of sale from the asset price to compute the taxable gain. However, the existing exception for destroyed plants will be expanded. Under the new law, plants may be replanted on any parcel of similar-size land in the United States, by the person who owned the affected grove, orchard, or vineyard at the time of the loss or by a person who acquires a minority interest and materially participates in the operation of the enterprise. The exception applies only to crops produced for human consumption, animals, or trees.

Under the new law, the after-tax costs of developing groves, orchards, and vineyards and raising most cattle will increase. New investments in these areas thus will be based more on prospective returns and less on tax benefits. As a consequence, tax-shelter investments in the orchard and livestock sectors will be reduced.

The requirement to capitalize development expenditures could impose a significant recordkeeping burden on many farmers. However, under the new law farmers may still elect to currently deduct development expenditures, as long as they use straight-line depreciation for all farm assets placed in service during the year the development deduction is taken.

Losses From "Passive Activity" No Longer Applicable to Other Income

Under current law, with few exceptions, losses and credits generated from one activity can be used to offset income or tax from other sources. But the Tax Reform Act limits the ability to shelter other income this way to those taxpayers who "materially participate" in the activity generating the losses or credits. To satisfy the material participation requirement, the taxpayer must be involved in the activity on a "regular, continuous, and substantial basis."

The new law allows up to $25,000 of losses from rental real estate, including farmland, to be used to shelter other income, provided that the taxpayer participates significantly in management decisions. This $25,000 exception is phased out for taxpayers with adjusted gross income in excess of $100,000, however. As under current law, losses or credits may be carried forward and used to offset future income from the same activity, regardless of whether the taxpayer materially participates. The new rules will be phased in over 5 years.

The new law retains many preferential tax provisions for farmers. Active farmers will be able to continue using farm losses to offset other income. But, the new passive loss rules will severely limit the opportunities of nonfarmers (passive investors) to exploit farm losses to shelter nonfarm income.

In 1982, $18 billion in farming losses was used to offset other income, resulting in about $5.3 billion in tax savings. Only a small percentage of these losses will be affected by this new limit. However, those areas of agriculture where passive investments are important—such as cattle feeding—could lose investors over the 5-year phase-in period.

For the Self-Employed, Health Insurance Now Partially Deductible

Under current law, an employer's contribution to a health insurance plan is not considered income to the employee. However, self-employed individuals, including farm sole proprietors and partnerships, may not deduct the health insurance premiums they pay.

The Tax Reform Act provides the self-employed individual a new deduction—25 percent of the cost of providing health insurance for the individual, spouse, and dependents. The deduction is limited to the taxpayer's earned income for the taxable year. In addition, no deduction is allowable for any tax year in which the self-employed individual or spouse is eligible to participate in a subsidized health plan offered by an outside employer. The health insurance deduction is available only for tax years beginning after December 31, 1986, and before December 31, 1989.

Permitting self-employed individuals to deduct a portion of their health insurance costs will temporarily reduce the current advantage held by employees of corporations. However, restricting the deduction to 25 percent and limiting the period of availability greatly reduce the significance of this change.

New Law Expands Use of Tax-Exempt Bonds for First-Time Farmer

Interest on bonds issued by State and local governments is generally exempt from Federal income taxes. These tax-exempt bonds include industrial development bonds (IDB's, also called "aggie bonds") used by many States to provide low-interest farm loans. A special rule under current tax law allows small tax-free bonds to be issued to help first-time farmers finance farmland and a minimal amount of used equipment, to enter farming.

The Tax Reform Act retains through 1989 the exemption for interest from small-issue IDB's used for agricultural purposes. The tax-free bonds for first-time farmers will be expanded to include farmers who would have qualified under current law except that they once owned land and then lost it through an insolvency proceeding. In addition, the amount of used equipment that may be financed will be increased to 25 percent of funds provided, and the equipment purchase need not be in conjunction with a land purchase. The new law will also impose a $250,000 lifetime limit on the amount of depreciable farm property one person can finance through the tax-free bonds.

The use of tax-exempt bonds to finance State agricultural credit programs has grown considerably in recent years. Retaining the tax exemption for holders of these bonds retains a low-cost source of funds for these programs. The new law will expand the number of individuals eligible for assistance under the first-time farmer exception and therefore could expand the scope of these programs at least through 1989.

Law Affects Various Operations Differently

How will the new tax law affect specific types of farm operations? Because of differences among farms and the wide range of tax changes, the effects vary significantly. Following are discussions of effects on selected types of farms.

Effects on Orchard Development.—Orchard investors have several years of costs before their trees bear fruit. Under

Federal Taxes for Orchard Development, Current and New Law

Item	Year 1	2	3	4	5
	$/acre				
Land costs	2,000				
Planting costs	1,500				
Cultural costs	500	500	500	500	500
Selling price					8,000

	Current law	New law
Item	$/acre	
Deductible cultural costs	2,500	0
Tax rate	.50	.28
Tax savings	1,250	0
Selling price	8,000	8,000
Basis	3,500	6,000
Capital gain	4,500	2,000
Percent taxable	.40	1.00
Taxable gain	1,800	2,000
Tax rate	.50	.28
Capital gains tax	900	560
Capital gains tax	900	560
Tax saving (cultural costs)	-1,250	-0
Net tax	-350	560
Gross profit	2,000	2,090
Income tax	+350	-560
After-tax profit	2,350	1,440

cultural costs are tax deductible in the years they are paid. (Citrus and almond orchards are an exception: their cultural costs for establishment must be capitalized.)

Consider under current law an orchard investor in the 50-percent income tax bracket who has tax-deductible cultural costs of $500 per acre per year. Deduction of the costs cuts his or her taxes by $250 per acre per year. When the orchard is sold, the investor's taxable profit is the $8,000-per-acre selling price minus the $3,500 basis (land and planting cost), or $4,500.

Since only 40 percent of this is taxable (capital gains rate), the capital gains tax is only $900 ($4,500 x .40 x .50), and the investor saves $1,250 over 5 years from the tax deductions for the cultural costs. Therefore, the orchard investment actually reduces his/her taxes by $350 per acre. The after-tax profit is $8,000 minus $6,000 (land, planting, and cultural costs) plus $350 (tax savings)—or, $2,350 per acre. Thus, profit is greater than if the entire investment were exempt from taxation.

Under the Tax Reform Act, the costs for developing orchards will no longer be currently deductible.[2] Instead,

[2]The taxpayer may elect to deduct costs currently. However, if this election is made straight-line depreciation must be used on all farm property.

Federal Taxes for a Crop Farm, Current and New Law

	Current law	New law
Schedule F		
Gross farm receipts		
Field crop sales	$96,740	$96,740
Cattle sales	4,400	4,400
Gross receipts	$101,140	$101,140
Farm deductions		
Production costs	47,565	47,565
Depreciation	4,750	4,038
Expensing of capital	5,000	10,000
Total deductions	$57,315	$61,603
Net farm profit (loss)	$ 3,825	$ (463)
Form 4797		
Breeding cattle sales	600	600
Exclusion (60%)	360	—
Taxable gain	$ 240	$ 600
Form 1040		
Wages	18,597	18,597
Interest income	4,000	4,000
Capital gains	240	0
Other farm income	0	600
Net farm profit (loss)	3,825	(463)
Total income	$26,662	$22,734
Spousal deduction	383	0
Adjusted gross income	26,279	22,734
Personal exemptions	-4,440	-7,600
Taxable income	$21,839	$15,134
Income tax	2,670	1,586
Investment tax credit	445	—
Net income tax	$ 2,225	$ 1,586
Schedule SE		
Self-employment income	3,825	(463)
Self-employment tax	470	—
Total Federal taxes	$ 2,695	$ 1,586

these costs will be capitalized by all orchard developers—not just citrus and almond growers. In addition, all long-term capital gains will be taxable, rather than the 40 percent under current law. However, tax rates will be reduced, with the top tax rate falling from 50 to 28 percent.

Assume the same orchard investor is in the top 28-percent bracket under the new law. Since he or she is not able to deduct the cultural costs, the total cost of establishing the orchard is $6,000 per acre (land, planting, and cultural costs). The gain is $2,000 per acre and the tax is $560 (.28 x $2,000). Under the new law, the after-tax profit is $1,440—less than the before-tax profit.

Effects on a Crop Farm.—This example represents a 252-acre corn farm. The proprietor's spouse earns $18,597 in an off-farm job and the couple has two children for a total of four exemptions. They claim the standard deduction.

Under current law, the farmer has a net farm profit of $3,825 (Schedule F), and $600 in capital gains from breeding-cattle sales (Form 4797). The family pays $2,225

Under the Tax Reform Act, the favorable capital gains treatment for breeding livestock sales is eliminated, and $600 of these sales are now taxed as ordinary income. The producer's depreciation deductions rise by $4,288 because of the increase from $5,000 to $10,000 in the amount that he can treat as ordinary expense and the acceleration of depreciation deductions. However, the family loses the investment tax credit and the two-earner deduction.

Nevertheless, under the new law, the corn producer's Federal income taxes decline by $639. In addition, he pays no self-employment tax. The net result is a $1,109 decline in his and his spouse's total Federal tax liability, from $2,695 to $1,586.

Effects on a Dairy Operation.—This example represents an 80-cow herd. This farm produces most of its forage but purchases feed concentrates. The operator and one hired worker provide labor. The farmer's spouse also earns some off-farm income. Investment is distributed evenly over time

Federal Taxes for a Dairy Farm, Current and New Law

	Current law	New law
Schedule F		
Gross farm receipts		
Milk	$144,880	$144,880
Dairy cow sales	—	—
Gross receipts	$144,880	$144,880
Farm deductions		
Production costs	98,980	94,980 1/
Depreciation	10,915	10,833
Expensing of capital	5,000	10,000
Total deductions	$114,895	$115,813
Net farm profit	$ 29,985	$ 29,067
Form 4797		
Dairy cow sales	8,604 2/	8,604 2/
Exclusion (60%)	4,864	—
Taxable gain	$ 3,740	$ 8,604
Form 1040		
Nonfarm income	8,205 3/	9,117
Capital gains	3,243	—
Other farm income	497	8,604
Net farm profit	29,985	29,067
Total income	$ 41,930	$ 46,788
Adjusted gross income	41,930	46,788
Personal exemptions	4,440	7,600
Taxable income	$ 37,490	$ 39,188
Income tax	6,534 4/	6,160 4/
Investment tax credit	1,003	—
Net income tax	$ 5,531	$ 6,160
Schedule SE:		
Self-employment income	$ 29,985	$ 29,067
Self-employment tax	3,688	3,575
Total Federal taxes	$ 9,219	$ 9,735

1/ Feed costs for heifers to be capitalized and added to depreciation deductions beginning with the 1989 tax year. 2/ Sales net of basis. 3/ For current law, nonfarm income reported net of spousal deduction of $912. No spousal deduction permitted under tax reform. 4/ Assumes use of the standard

and consists of equipment, machinery, dairy barns, and multipurpose structures. The farmer replaces 24 cows every year; 20 are raised on the farm while 4 are purchased.

The most significant tax changes for this farmer will come from the elimination of the investment tax credit and capital gains treatment for dairy cows. Overall, tax reform will increase this farmer's tax liability.

Under current law, the farmer earns $29,985 in net farm profits (Schedule F), and $3,740 in taxable gains from dairy cow sales (Form 4797). The farmer owes income taxes of $5,531 and self-employment taxes of $3,688, for a total tax liability of $9,219.

Under the Tax Reform Act, the farmer will pay $6,160 in Federal income taxes, or about 11 percent more than under current law. Self-employment tax liability will decrease slightly to $3,575. As a result, total Federal taxes paid will increase by $516.

Effects on a Hog Operation.—This farmer is the sole proprietor of a 1,600-head hog operation and produces corn for use on the farm and for sale. The farmer also grows soybeans for sale. Unpaid family labor is needed, limiting opportunities for off-farm income. The family takes personal exemptions for four and claims the standard deduction.

Under current law, the farmer earns $38,659 in net farm profits (Schedule F), and $9,508 in capital gains from culled sow sales (Form 4797). The family pays $5,208 in Federal income taxes and an additional $4,755 in self-employment taxes, for a total of $9,963.

Under the Tax Reform Act, Federal income taxes for the same farmer increase to $6,027. However, the producer pays a lower self-employment tax because net farm profit for tax purposes is lower.

The new law's most significant effects on this operator's tax obligations come from the elimination of the investment tax credit and capital gains treatment for culled sows. Elimination of capital gains treatment means that $9,508 in cull sales must be taxed as ordinary income. The farmer loses $2,320 in investment tax credits. However, depreciation deductions rise by approximately $4,147 because the producer can now immediately deduct capital expenditures of $10,000, rather than $5,000. Overall, the farmer's total Federal taxes increase by $309. *[Ron Durst (202) 786-1889]*

Federal Taxes for a Hog Operation, Current and New Law

	Current law	New law
Schedule F		
Gross farm receipts		
Swine receipts	$182,789	182,789
Soybean sales	24,785	24,785
Corn sales	36,025	36,025
Sow sales	—	—
Gross receipts	$243,599	$243,599
Farm deductions		
Production costs	175,202	175,202
Depreciation	24,738	23,885
Expensing of capital	5,000	10,000
Total deductions	$204,940	$209,087
Net farm profit	$ 38,659	$ 34,512
Form 4797		
Sow sales	9,508	9,508
Exclusion (60%)	5,704	—
Taxable gain	3,804	9,508
Form 1040		
Interest and other income	2,693	2,693
Capital gains	3,804	—
Other farm income		9,508
Health insurance deduction	—	- 400
Net farm profit	38,659	34,512
Total income	$ 45,156	$ 46,313
Adjusted gross income	45,156	46,313
Personal exemptions	4,440	7,600
Taxable income	$ 40,716	$ 38,713
Income tax	7,528	6,027
Investment tax credit	2,320	—
Net income tax	$ 5,208	$ 6,027
Schedule SE		
Self-employment income	$ 38,659	$ 34,512
Self-employment tax	4,755	4,245
Total Federal taxes	$ 9,963	$ 10,272

Statistical Indicators

Summary Data

Table 1.—Key statistical indicators of the food and fiber sector

	1985		1986					1987	
	IV	Annual	I	II	III p	IV F	Annual F	I F	II F
Prices received by farmers (1977=100)	126	128	123	122	124	122	123	--	--
Livestock & products	136	136	133	130	146	146	139	144	147
Crops	114	120	112	112	101	98	106	--	--
Prices paid by farmers, (1977=100)	149	151	149	146	145	144	146	143	143
Prod. items	162	163	163	161	161	161	162	160	161
Commodities & services, int., taxes, & wages	157	142	132	129	131-135	138-142	132-136	--	--
Cash receipts ($ bil.) 1/	73	69	69	68	72-76	72-76	69-73	--	--
Livestock ($ bil.)	84	73	63	61	57-61	65-69	61-65	--	--
Crops ($ bil.)									
Market basket (1967=100)	283	283	285	284	290	291	288	--	--
Retail cost	236	238	226	222	241	243	233	--	--
Farm value	310	309	319	321	317	319	319	--	--
Spread	31	31	30	30	32	32	31	--	--
Farm value/retail cost (%)									
Retail prices (1967=100)	311	310	315	317	320	322	319	--	--
Food	297	297	302	302	306	307	304	--	--
At home	351	347	354	359	362	363	359	--	--
Away-from home									
Agricultural exports ($ bil.) 2/	7.8	31.2	7.4	5.7	5.6	7.8	26.5	7.1	5.9
Agricultural imports ($ bil.) 2/	4.9	19.7	5.6	5.4	4.6	5.2	20.5	5.5	5.3
Production:									
Red meats (mil. lb.)	9,814	39,136	9,551	10,021	9,712	9,372	38,656	9,107	9,228
Poultry (mil. lb.)	4,293	16,871	4,107	4,536	4,650	4,535	17,828	4,445	4,845
Eggs (mil. doz.)	1,442	5,688	1,421	1,419	1,415	1,450	5,706	1,440	1,435
Milk (bil. lb.)	35.6	143.7	36.2	38.5	35.9	34.4	145.0	34.8	37.4
Consumption, per capita:									
Red meats and poultry (lbs)	55.3	214.6	51.9	54.1	53.5	53.8	213.4	51.3	53.0
Corn beginning stocks (mil. bu.) 3/	1,648.2	1,648.2	8,614.7	6,587.1	4,988.5	4,038.1	4,038.1	--	--
Corn use (mil. bu.) 3/	1,899.5	6,485.7	2,028.9	1,600.9	956.4	--	6,750.0	--	--
Prices: 4/									
Choice steers--Omaha ($/cwt)	61.42	58.37	57.22	54.52	58.90	60-64	57-59	61-67	63-69
Barrows and gilts--7 mkts. ($/cwt)	45.05	44.77	43.30	47.23	61.30	53-57	51-53	53-59	55-61
Broilers--12-city (cts./lb.)	50.2	50.8	50.3	54.3	66.6	55-59	56-58	50-56	51-57
Eggs--NY Gr. A large (cts./doz.)	75.9	66.5	74.2	63.4	72.8	68-72	69-71	65-71	61-67
Milk--all at plant ($/cwt.)	12.60	12.73	12.37	11.97	12.23	12.95-13.25	12.35-12.45	12.25-12.75	11.65-12.05
Wheat--Kansas city HRW ($/bu.)	3.31	3.40	3.33	3.23	--	--	--	--	--
Corn--Chicago ($/bu.)	2.41	2.65	2.48	2.51	--	--	--	--	--
Soybeans--Chicago ($/bu.)	5.11	5.55	5.34	5.32	--	--	--	--	--
Cotton--Avg. spot mkt. (cts./lb.)	56.1	58.5	60.0	63.9	--	--	--	--	--

	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Gross cash income ($ bil.)	117.3	135.1	143.3	146.0	150.6	150.2	154.9	156.2	149-153
Gross cash expenses ($ bil.)	84.2	101.7	109.1	113.2	113.8	113.0	115.6	112.1	104-108
Net cash income ($ bil.)	33.1	33.4	34.2	32.8	36.8	37.1	39.3	44.0	43-47
Net farm income	25.2	27.4	16.1	26.9	22.7	13.0	32.7	30.5	25-29
Farm real estate values (1977=100)	109	125	145	158	157	148	146	128	112

1/ Quarterly data seasonally adjusted at annual rates. 2/ Annual data based on Oct.-Sept. fiscal years ending with year indicated. 3/ Dec.-Feb. first quarter; Mar.-May second quarter; June-Aug. third quarter; Sept.-Nov. fourth quarter; feed year annual. Use includes exports and domestic disappearance. 4/ Simple averages. p=preliminary. F = Forecast.

Table 2.—U.S. gross national product and related data

	Annual			1985			1986	
	1983	1984	1985	II	III	IV	I	II r
	$ Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product	3,405.7	3,765.0	3,998.1	3,965.0	4,030.5	4,087.7	4,149.2	4,175.6
Personal consumption expenditures	2,234.5	2,428.2	2,600.5	2,576.0	2,627.1	2,667.9	2,697.9	2,732.0
Durable goods	289.1	331.2	359.3	354.0	373.3	362.0	360.8	373.9
Nondurable goods	816.7	870.1	905.1	902.3	907.4	922.6	929.7	928.4
Clothing & shoes	135.1	147.2	155.2	155.0	155.4	158.7	161.3	165.0
Food & beverages	421.9	449.9	469.3	469.3	470.4	477.4	484.6	490.3
Services	1,128.7	1,227.0	1,336.1	1,319.7	1,346.4	1,383.2	1,407.4	1,429.8
Gross private domestic investment	502.3	662.1	661.1	667.1	657.4	669.5	708.3	687.3
Fixed investment	509.4	598.0	650.0	648.0	654.3	672.6	664.4	672.8
Change in business inventories	-7.1	64.1	11.1	19.1	3.1	-3.1	43.8	14.5
Net exports of goods & services	-6.1	-58.7	-78.9	-77.1	-83.7	-105.3	-93.7	-104.5
Government purchases of goods & services	675.0	733.4	815.4	799.0	829.7	855.6	836.7	860.8
	1982 $Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product	3,279.1	3,489.9	3,585.2	3,567.6	3,603.8	3,622.3	3,655.9	3,661.4
Personal consumption expenditures	2,146.0	2,246.3	2,324.5	2,311.9	2,342.0	2,351.7	2,372.7	2,408.4
Durable goods	283.1	318.9	343.9	338.8	357.4	347.0	345.4	357.1
Nondurable goods	800.2	828.6	841.6	841.3	843.8	847.2	860.6	877.3
Clothing & shoes	132.7	142.7	146.0	146.0	146.5	147.5	152.4	157.1
Food & beverages	414.3	424.2	433.4	437.4	435.3	435.1	441.1	444.2
Services	1,062.7	1,098.7	1,139.0	1,131.8	1,140.8	1,157.5	1,166.6	1,174.0
Gross private domestic investment	504.0	652.0	647.7	655.6	643.8	653.2	684.0	664.7
Fixed investment	510.4	592.8	638.6	638.1	643.1	658.4	644.1	649.6
Change in business inventories	-6.4	59.2	9.0	17.4	0.7	-5.2	39.9	15.1
Net exports of goods & services	-19.9	-83.6	-108.2	-108.1	-113.8	-132.0	-125.9	-153.9
Government purchases of goods & services	649.0	675.2	721.2	708.3	731.8	749.4	725.2	742.2
GNP implicit price deflator % change	3.9	3.8	3.3	3.3	2.5	3.6	2.5	1.8
Disposable personal income ($bil.)	2,428.1	2,670.6	2,828.0	2,842.3	2,832.0	2,882.2	2,935.1	2,978.5
Disposable per. income (1982 $bil.)	2,331.9	2,470.6	2,528.0	2,550.8	2,524.7	2,540.7	2,581.2	2,625.7
Per capita disposable per. income ($)	10,340	11,265	11,817	11,893	11,819	11,999	12,193	12,348
Per capita dis. per. income (1982 $)	9,930	10,421	10,563	10,674	10,537	10,577	10,723	10,886
U.S. population, total, incl. military abroad (mil.)	234.8	237.1	239.3	239.0	239.6	240.2	240.7	241.2
Civilian population (mil.)	232.6	234.8	237.0	236.7	237.2	237.9	238.4	239.0

	Annual			1985	1986			
	1983	1984	1985	Aug	May	June	July	Aug p
	Monthly data seasonally adjusted							
Industrial production (1977=100)	109.2	121.4	123.8	124.4	124.2	124.2	124.6	124.8
Leading economic indicators (1967=100)	156.0	165.8	169.1	169.8	178.2	177.8	179.5	179.1
Civilian employment (mil. persons)	100.8	105.0	107.2	107.2	109.1	109.7	109.9	110.2
Civilian unemployment rate (%)	9.6	7.5	7.2	7.1	7.3	7.1	6.9	6.8
Personal income ($ bil. annual rate)	2,838.6	3,110.2	3,314.5	3,320.5	3,481.3	3,481.9	3,492.6	3,505.3
Money stock-M2 (daily avg.) ($bil) 1/	2,188.8	2,373.7	2,565.8	2,515.6	2,649.6	2,670.6	2,699.1	2,723.7
Three-month Treasury bill rate (%)	8.63	9.58	7.48	7.18	6.12	6.21	5.84	5.57
Aaa corporate bond yield (Moody's) (%)	12.04	12.71	11.37	11.05	9.09	9.13	8.88	8.72
Housing starts (thou.) 2/	1,703	1,750	1,742	1,737	1,853	1,852	1,815	1,822
Auto sales at retail, total (mil.)	9.2	10.4	11.0	12.6	11.4	11.1	10.7	12.7
Business inventory/sales ratio	1.38	1.34	1.37	1.35	1.39	1.38	1.38	—
Sales of all retail stores ($ bil.)	97.9	107.8	114.5	116.2	118.7	119.0	119.3 p	120.2
Nondurable goods stores ($ bil.)	64.8	68.9	71.6	72.0	73.1	73.4	73.4 p	73.5
Food stores ($ bil.)	21.2	22.5	23.5	23.5	24.2	24.4	24.5 p	24.5
Eating & drinking places ($ bil.)	9.6	10.4	10.9	10.9	11.7	11.7	11.8 p	11.9
Apparel & accessory stores ($ bil.)	5.0	5.4	5.8	5.9	6.2	6.3	6.3 p	6.3

1/ Annual data as of December of the year listed. 2/ Private, including farm. p = preliminary. r = revised.

Information contact: James Malley (202) 786-1283.

Table 3.—Foreign economic growth, inflation, and export earnings[1,2]

	Average 1970–74	Average 1975–79	1980	1981	1982	1983	1984	1985	1986 est.
	Annual percent change								
Total foreign	5.5	3.7	2.6	1.6	1.7	1.9	3.2	2.9	2.5
Real GNP	10.2	14.0	16.7	15.8	14.4	18.7	21.0	21.1	11.0
CPI	27.5	14.6	22.6	-2.2	-7.0	-2.6	5.4	1.7	—
Export earnings									
Developed less U.S.	4.8	3.1	2.3	1.3	1.1	1.9	3.5	3.0	2.4
Real GNP	8.4	9.4	10.9	9.6	8.1	6.1	5.1	4.7	2.6
CPI	23.9	14.9	17.0	-3.3	-4.2	-0.4	6.1	4.9	--
Export earnings									
Centrally planned	5.1	3.5	1.5	2.1	2.7	3.4	3.7	3.0	3.4
Real GNP	19.4	16.1	16.5	5.4	6.0	8.2	1.5	-5.1	—
Export earnings									
Latin America	7.4	5.1	5.3	0.7	-0.5	-2.7	3.2	3.6	2.7
Real GNP	23.5	53.7	61.3	64.9	72.6	126.2	174.3	179.6	85.0
CPI	28.1	12.8	30.1	4.8	-10.0	0.0	6.6	-5.7	—
Export earnings									
Africa & Middle East	8.9	6.4	1.3	0.0	1.4	0.1	0.2	0.7	-1.1
Real GNP	8.7	16.4	22.1	19.7	12.0	19.0	5.9	4.7	8.3
CPI	49.6	43.2	38.5	-7.0	-19.7	-17.5	-7.9	-8.4	—
Export earnings									
Asia	6.0	6.8	6.3	6.6	3.6	6.6	5.6	3.2	4.1
Real GNP	13.0	8.4	16.4	14.1	7.3	7.7	9.6	6.4	5.2
CPI	30.1	19.4	27.3	4.9	-0.6	3.8	13.8	-1.6	—
Export earnings									

Information contact: Edward Wilson (202) 786-1688.

Farm Prices

Table 4.—Indexes of prices received and paid by farmers, U.S. average

	Annual			1985	1986					
	1983	1984	1985	Sept	Apr	May	June	July	Aug r	Sept p
	1977=100									
Prices received	135	142	128	120	121	123	121	125	125	122
All farm products	128	139	121	112	114	114	109	105	101	96
All crops	148	144	133	126	135	120	100	91	90	89
Food grains	143	145	122	111	113	118	110	97	87	77
Feed grains & hay	146	148	122	110	112	116	110	96	84	72
Feed grains	104	108	92	91	93	94	93	97	78	74
Cotton	155	153	154	157	142	141	141	141	128	136
Tobacco	102	109	84	76	78	78	78	77	78	74
Oil-bearing crops	129	202	183	182	146	157	177	165	179	174
Fruit, all	123	220	196	196	151	166	189	175	193	185
Fresh market 1/	130	135	128	114	147	144	115	117	122	129
Commercial vegetables	129	133	122	105	147	144	106	108	114	123
Fresh market	123	157	125	95	108	105	123	168	148	114
Potatoes & dry beans	141	146	136	128	127	131	133	143	149	147
Livestock & products	147	151	142	129	132	138	141	152	157	157
Meat animals	140	139	131	127	124	124	123	124	126	129
Dairy products	118	135	119	125	115	117	119	141	151	138
Poultry & eggs										
Prices paid	161	164	163	162	161	—	—	161	—	—
Commodities & services, interest, taxes, & wage rates	153	155	151	148	146	—	—	145	—	—
Production items	134	135	116	110	113	—	—	107	—	—
Feed	160	154	154	143	147	—	—	154	—	—
Feeder livestock	141	151	153	154	146	—	—	146	—	—
Seed	137	143	135	135	125	—	—	125	—	—
Fertilizer	125	128	128	128	126	—	—	126	—	—
Agricultural chemicals	202	201	201	203	160	—	—	155	—	—
Fuels & energy	152	147	146	145	144	—	—	144	—	—
Farm & motor supplies	170	182	193	193	197	—	—	197	—	—
Autos & trucks	174	181	178	174	175	—	—	175	—	—
Tractors & self-propelled machinery	171	180	183	184	184	—	—	184	—	—
Other machinery	138	138	136	136	135	—	—	136	—	—
Building & fencing	146	149	150	152	153	—	—	153	—	—
Farm services & cash rent	250	255	242	250	237	—	—	237	—	—
Interest payable per acre on farm real estate debt	129	132	133	135	136	—	—	136	—	—
Taxes payable per acre on farm real estate	148	151	154	154	164	—	—	164	—	—
Wage rates (seasonally adjusted)	159	161	157	155	153	—	—	153	—	—
Production items, interest, taxes, & wage rates										
Ratio, prices received to prices paid 2/	84	86	79	74	76	77	75	78	78	76
Prices received (1910-14=100)	615	650	586	549	551	560	554	569	573	557
Prices paid, etc. (Parity index) (1910-14=100)	1,105	1,130	1,121	1,113	1,108	—	—	1,108	—	—
Parity ratio (1910-14=100) 2/	56	58	52	49	50	—	—	51	—	—

1/ Fresh market for noncitrus; fresh market and processing for citrus. 2/ Ratio of index of prices received for all farm products to index of prices paid for commodities and services, interest, taxes, and wage rates. Ratio derived using the most recent prices paid index. Prices paid data will be published in January, April, July, and October. p = preliminary. r = revised.

Information contact: National Agricultural Statistics Service (202) 447-5446.

Table 5.—Prices received by farmers, U.S. average

	Annual*			1985	1986					
	1983	1984	1985	Sept	Apr	May	June	July	Aug r	Sept p
Crops										
All wheat ($/bu.)	3.58	3.46	3.20	3.01	3.36	3.02	2.48	2.25	2.26	2.23
Rice, rough ($/cwt.)	8.31	8.32	7.85	7.55	5.80	5.01	4.83	4.47	3.82	3.86
Corn ($/bu.)	2.99	3.05	2.49	2.29	2.29	2.39	2.32	2.00	1.73	1.44
Sorghum ($/cwt.)	4.89	4.60	3.98	3.27	3.80	3.98	3.39	3.00	2.65	2.44
All hay, baled ($/ton)	73.66	75.38	70.05	66.90	69.20	70.90	62.40	58.70	58.30	58.40
Soybeans ($/bu.)	6.73	7.02	5.42	4.99	5.22	5.25	5.19	5.11	4.98	4.74
Cotton, Upland (cts./lb.)	62.9	65.6	55.9	55.1	56.4	56.9	56.4	58.6	47.2	44.9
Potatoes ($/cwt.)	5.82	5.69	3.91	3.56	4.24	4.09	4.98	7.21	6.25	4.72
Lettuce ($/cwt.) 1/	12.43	10.70	12.20	11.80	15.80	18.10	9.12	8.57	10.40	13.20
Tomatoes ($/cwt.)	26.48	27.93	28.63	19.10	30.10	26.90	19.80	20.20	20.20	19.50
Onions ($/cwt.)	9.56	13.56	9.33	7.61	9.11	9.53	10.90	11.10	9.70	8.95
Dry edible beans ($/cwt.)	22.40	18.70	17.80	16.70	16.90	16.70	17.30	17.30	16.90	14.60
Apples for fresh use (cts./lb.)	14.8	15.5	17.1	17.7	17.3	21.1	24.2	25.4	26.8	22.3
Pears for fresh use ($/ton)	216.00	300.00	348.00	277.00	440.00	604.00	838.00	280.00	341.00	341.00
Oranges, all uses ($/box) 2/	4.15	5.95	7.97	5.78	3.39	3.91	4.44	3.41	4.03	4.34
Grapefruit, all uses ($/box) 2/	1.79	2.68	3.77	7.58	4.58	4.41	5.54	5.94	6.76	6.63
Livestock										
Beef cattle ($/cwt.)	55.83	57.56	53.96	49.10	50.30	51.00	50.10	52.90	54.40	55.00
Calves ($/cwt.)	62.12	60.23	62.42	58.30	58.90	58.00	58.10	59.40	61.10	64.10
Hogs ($/cwt.)	46.23	47.61	43.88	39.70	39.70	45.80	52.60	59.00	62.10	59.10
Lambs ($/cwt.)	55.48	60.33	68.08	70.20	69.10	76.30	74.00	71.90	69.50	67.40
All milk, sold to plants ($/cwt.)	13.57	13.45	12.73	12.30	12.00	12.00	11.90	12.00	12.20	12.50
Milk, manuf. grade ($/cwt.)	12.63	12.54	11.78	11.40	11.20	11.10	10.90	10.90	11.20	11.40
Broilers (cts./lb.)	29.3	33.2	30.2	30.5	29.9	30.9	34.0	42.4	45.9	37.8
Eggs (cts./doz.) 3/	63.1	70.3	57.4	62.4	57.8	56.2	50.5	58.6	62.6	62.8
Turkeys (cts./lb.)	36.5	46.6	47.2	51.8	38.0	40.7	46.1	49.3	50.8	51.2
Wool (cts./lb.) 4/	61.5	76.5	62.6	59.5	67.8	75.2	73.5	70.7	68.8	72.1

1/ Due to program modifications, 1983 data not comparable with 1984 and 1985. 2/ Equivalent on-tree returns. 3/ Average of all eggs sold by producers including hatching eggs and eggs sold at retail. 4/ Average local market price, excluding incentive payments. *Calendar year averages, except for potatoes, dry edible beans, apples, oranges, and grapefruit, which are crop years. p = preliminary. r = revised.

Information contact: National Agricultural Statistics Service (202) 447-5446.

Producer and Consumer Prices

Table 6.—Consumer Price Index for all urban consumers, U.S. average (not seasonally adjusted)

	Annual	1985	1986							
	1985	Aug	Jan	Feb	Mar	Apr	May	June	July	Aug
					1967=100					
Consumer price index, all items	322.2	323.5	328.4	327.5	326.0	325.3	326.3	327.9	328.0	328.6
Consumer price index, less food	323.3	325.0	329.5	328.5	326.6	325.7	326.7	328.6	328.0	328.1
All food	309.8	309.7	315.6	315.3	315.4	316.1	317.0	317.1	320.1	322.7
Food away from home	346.6	348.4	353.1	354.2	355.5	357.0	358.8	360.2	360.8	361.8
Food at home	296.8	295.9	302.5	301.5	301.2	301.5	302.1	301.6	305.5	308.9
Meats 1/	265.5	261.2	270.6	268.4	266.6	262.3	262.1	264.4	272.9	279.8
Beef & veal	269.7	261.8	275.7	272.3	271.3	266.0	264.9	264.9	267.6	270.9
Pork	253.1	253.8	259.3	257.0	253.4	249.9	250.0	257.0	278.0	292.6
Poultry	216.4	213.9	218.2	218.5	218.2	215.7	218.7	223.7	240.3	255.0
Fish	405.9	406.1	443.9	430.6	435.6	437.0	437.1	434.5	447.3	446.3
Eggs	174.3	171.0	194.4	186.7	190.8	188.8	173.7	166.9	175.2	192.9
Dairy products 2/	258.0	257.4	257.2	257.3	256.8	256.8	257.1	257.2	258.4	258.3
Fats & oils 3/	294.4	297.1	292.1	291.4	290.2	288.5	287.2	287.0	287.3	287.8
Fresh fruit	361.8	375.9	350.8	353.3	352.0	367.9	385.5	372.4	382.2	391.5
Processed fruit 4/	168.2	169.6	166.8	165.7	164.9	163.8	163.5	161.4	161.8	162.3
Fresh vegetables	317.5	326.3	362.3	311.1	309.0	333.7	343.7	326.2	325.0	321.9
Potatoes	324.6	331.8	267.9	262.8	261.9	267.4	279.6	317.3	356.0	357.9
Processed vegetables 4/	147.7	149.0	147.5	147.6	147.2	147.5	147.4	148.0	148.4	148.5
Cereals & bakery products 4/	317.0	318.5	322.0	322.5	322.7	322.5	323.8	326.1	326.3	328.2
Sugar & sweets	398.8	401.8	405.1	408.6	408.4	411.4	411.2	411.5	412.4	413.1
Beverages, nonalcoholic	451.7	449.6	459.7	485.3	488.0	487.4	481.9	480.0	478.3	476.9
Apparel commodities less footwear	188.1	187.3	186.3	185.2	187.5	188.4	187.2	184.8	183.3	188.1
Footwear	212.1	210.3	209.1	207.9	210.1	211.4	211.5	210.0	209.1	209.6
Tobacco products	328.5	331.5	342.7	344.7	345.6	346.5	346.5	347.1	354.3	356.2
Beverages, alcoholic	229.5	228.9	237.5	238.3	238.8	239.5	239.4	240.1	240.4	240.1

1/ Beef, veal, lamb, pork, and processed meat. 2/ Includes butter. 3/ Excludes butter. 4/ December 1977 = 100.

Information contact: Ralph Parlett (202) 786-1870.

Table 7.—Producer price indexes. U.S. average (not seasonally adjusted)

	Annual			1985	1986					
	1983	1984	1985 p	Aug	Mar	Apr r	May	June	July	Aug
					1967=100					
Finished goods 1/	285.2	291.1	293.8	293.5	288.0	287.2	289.0	288.9	288.0	288.3
Consumer foods	261.8	273.3	271.2	268.7	271.6	271.9	274.9	275.1	280.7	283.6
Fresh fruit	252.0	253.0	256.0	269.9	242.5	248.1	264.6	265.3	284.6	244.8
Fresh & dried vegetables	248.9	278.3	245.3	234.9	215.2	255.9	256.6	232.7	238.7	237.8
Dried fruit	409.9	386.6	362.7	362.2	372.9	371.1	373.6	373.6	371.3	387.4
Canned fruit & juice	286.8	312.4	323.1	327.7	315.5	314.5	314.0	315.9	316.0	317.4
Frozen fruit & juice	301.8	351.0	363.4	362.2	312.2	308.9	310.5	311.2	312.1	311.0
Fresh veg. excl. potatoes	210.0	219.1	205.9	212.3	190.0	239.2	238.7	186.8	191.7	184.8
Canned veg. and juices	247.1	252.6	246.9	252.2	245.0	243.3	246.0	252.5	246.4	244.5
Frozen vegetables	283.6	291.0	298.4	299.0	299.2	297.7	298.5	299.1	298.7	298.2
Potatoes	319.8	397.7	304.3	222.2	244.0	253.4	259.6	335.4	352.6	367.1
Eggs	n.a.	210.8	171.0	168.9	182.1	169.5	162.1	149.0	167.3	191.4
Bakery products	285.9	299.1	313.5	315.9	319.5	320.3	320.1	321.7	322.0	323.2
Meats	236.4	236.8	227.5	221.0	219.2	215.1	225.5	227.1	242.3	253.2
Beef & veal	236.3	237.1	220.1	204.1	210.6	202.5	214.3	208.0	216.0	221.4
Pork	227.5	226.5	224.0	229.5	213.3	214.4	228.0	243.3	272.2	297.5
Processed poultry	185.3	206.0	197.5	195.1	188.2	188.9	192.1	202.3	226.8	246.0
Fish	445.2	476.0	492.1	461.5	530.5	527.6	523.7	536.2	516.6	528.7
Dairy products	250.6	251.7	249.4	246.9	246.0	246.0	246.8	247.2	247.8	249.6
Processed fruits & vegetables	277.4	294.3	296.7	299.9	287.3	285.6	287.0	289.9	287.6	290.3
Shortening & cooking oils	254.7	311.6	290.5	280.7	250.0	244.4	243.1	242.4	238.8	233.3
Consumer finished goods less foods	291.4	294.1	297.4	297.8	284.6	282.2	284.1	283.8	278.8	278.0
Beverages, alcoholic	205.0	209.8	213.0	213.6	217.5	218.0	218.4	217.7	217.8	218.6
Soft drinks	327.4	340.2	344.2	339.5	349.2	352.8	352.2	348.7	349.6	347.4
Apparel	197.4	201.3	204.2	204.8	206.4	206.5	207.0	206.4	206.9	206.5
Footwear	250.1	251.7	256.8	258.1	261.6	262.4	261.8	260.7	261.4	262.2
Tobacco products	365.4	398.4	428.2	436.0	451.6	451.4	452.0	451.7	467.1	468.1
Intermediate materials 2/	312.3	320.0	318.7	317.9	309.5	307.1	306.8	307.1	305.0	304.5
Materials for food manufacturing	258.4	271.1	258.7	253.0	246.7	244.8	248.6	247.8	251.6	255.7
Flour	186.2	185.2	183.1	176.3	182.5	179.5	186.8	175.2	166.3	165.4
Refined sugar 3/	172.1	173.5	165.6	165.2	165.7	165.1	165.5	165.2	165.0	167.1
Crude vegetable oils	194.2	262.2	219.4	190.5	138.7	142.2	143.0	138.5	132.8	123.0
Crude materials 4/	323.6	330.8	306.2	295.3	281.1	273.7	278.9	274.9	278.0	275.5
Foodstuffs & feedstuffs	252.2	259.5	235.0	221.0	224.4	220.3	228.9	226.1	233.6	236.3
Fruits & vegetables 5/	262.1	278.1	260.5	261.2	237.1	263.3	271.4	257.8	270.2	251.3
Grains	240.4	239.7	202.7	185.1	191.5	191.3	199.6	182.2	152.3	138.9
Livestock	243.1	251.8	229.7	211.6	220.3	213.9	227.3	223.2	243.0	250.7
Poultry, live	206.5	240.6	226.2	216.0	209.0	211.2	218.3	236.6	296.7	340.0
Fibers, plant & animal	227.0	228.4	197.8	194.5	206.8	210.6	215.5	219.5	220.6	94.5
Fluid milk	282.0	278.3	264.6	255.1	251.1	248.4	249.2	249.2	251.3	256.2
Oilseeds	245.3	253.3	202.7	190.1	199.4	197.9	200.3	201.4	198.0	183.5
Tobacco, leaf	274.2	274.6	274.1	259.6	252.0	250.2	248.4	248.4	248.4	225.5
Sugar, raw cane	315.9	312.0	291.2	296.3	291.6	289.5	288.9	293.8	293.7	292.9
All commodities	303.1	310.3	308.8	307.3	300.3	298.2	299.2	298.9	297.7	297.2
Industrial commodities	315.7	322.6	323.9	323.7	314.0	311.6	311.7	311.6	308.5	307.7
All foods 6/	257.5	269.2	264.6	261.4	262.1	262.0	265.4	265.5	270.9	273.9
Farm products & processed foods & feeds	253.9	262.4	250.5	244.0	247.3	246.2	250.6	249.5	255.6	256.2
Farm products	248.2	255.8	230.4	218.0	220.2	218.6	226.0	221.4	228.1	224.5
Processed foods & feeds 6/	255.9	265.0	260.5	257.3	260.7	259.9	262.5	263.4	267.0	269.9
Cereal & bakery products	261.0	270.5	279.7	280.0	283.2	282.6	282.9	282.2	281.6	281.7
Sugar & confectionery	292.8	301.2	291.1	291.4	294.5	293.4	294.7	295.1	296.4	297.8
Beverages	263.6	273.1	276.7	275.1	295.5	297.8	298.0	296.4	296.2	292.1

1/ Commodities ready for sale to ultimate consumer. 2/ Commodities requiring further processing to become finished goods. 3/ All types and sizes of refined sugar. (Dec. 1977 = 100). 4/ Products entering market for the first time which have not been manufactured at that point. 5/ Fresh and dried. 6/ Includes all raw, intermediate, and processed foods (excludes soft drinks, alcoholic beverages, and manufactured animal feeds). (1977 = 100). p=preliminary. r = revised. n.a. = not available.

Information contact: Bureau of Labor Statistics (202) 523-1913.

Table 8.—Farm-retail price spreads

	Annual				1985	1986					
	1982	1983	1984	1985	Aug	Mar	Apr	May	June	July	Aug
Market basket 1/											
Retail cost (1967=100)	266.4	268.7	279.3	282.6	281.6	283.3	283.4	284.5	284.6	288.9	292.9
Farm value (1967=100)	247.8	242.3	255.4	237.1	226.2	222.0	218.1	223.9	224.0	237.4	245.6
Farm-retail spread (1967=100)	277.4	284.3	293.3	309.3	314.1	319.3	321.7	320.2	320.2	319.1	320.7
Farm value/retail cost (%)	34.4	33.4	33.9	31.1	29.8	29.0	28.5	29.1	29.2	30.4	31.0
Meat products											
Retail cost (1967=100)	270.3	267.2	268.1	265.5	261.2	266.6	262.3	262.1	264.4	272.9	279.8
Farm value (1967=100)	251.3	235.8	241.5	221.8	202.3	210.1	203.8	210.0	219.3	237.4	249.0
Farm-retail spread (1967=100)	292.4	304.0	299.1	316.6	330.2	332.7	330.8	323.2	317.2	314.5	315.8
Farm value/retail cost (%)	50.2	47.6	48.6	45.1	41.8	42.5	41.9	43.2	44.7	46.9	48.0
Dairy products											
Retail cost (1967=100)	247.0	250.0	253.2	258.0	257.4	256.8	256.8	257.1	257.2	258.4	258.3
Farm value (1967=100)	261.9	262.1	258.8	248.3	243.6	236.1	234.8	237.2	237.2	238.9	240.0
Farm-retail spread (1967=100)	233.9	239.3	248.3	266.5	269.6	274.9	276.1	274.6	274.8	275.5	274.4
Farm value/retail cost (%)	49.6	49.0	47.8	45.0	44.2	43.0	42.8	43.1	43.1	43.2	43.4
Poultry											
Retail cost (1967=100)	194.9	197.5	218.5	216.4	213.9	218.2	215.7	218.7	223.7	240.3	255.0
Farm value (1967=100)	201.9	213.0	249.9	234.9	227.9	219.8	219.8	229.2	253.8	305.1	326.4
Farm-retail spread (1967=100)	188.1	182.4	188.1	198.4	200.3	216.6	211.7	208.6	194.5	177.6	185.9
Farm value/retail cost (%)	50.7	53.1	56.3	53.4	52.4	49.6	50.1	51.5	55.8	62.4	63.0
Eggs											
Retail cost (1967=100)	178.7	187.1	209.0	174.3	171.0	190.8	188.8	173.7	166.9	175.2	192.9
Farm value (1967=100)	189.8	206.1	230.3	178.9	180.6	221.3	181.0	175.0	150.3	184.4	199.0
Farm-retail spread (1967=100)	162.7	159.5	178.2	167.6	157.2	146.7	200.1	171.8	190.9	161.9	184.1
Farm value/retail cost (%)	62.8	65.1	65.1	60.7	62.4	68.6	56.6	59.6	53.2	62.2	61.0
Cereal & bakery products											
Retail cost (1967=100)	283.4	292.5	305.3	317.0	318.5	322.7	322.5	323.8	326.1	326.3	328.2
Farm value (1967=100)	178.8	186.6	192.0	175.6	164.3	165.6	164.9	156.0	138.9	132.2	126.2
Farm-retail spread (1967=100)	305.1	314.0	328.7	346.3	350.4	355.0	355.1	358.5	364.9	366.5	370.0
Farm value/retail cost (%)	10.8	11.1	10.8	9.5	8.9	8.9	8.7	8.3	7.3	7.0	6.6
Fresh fruits											
Retail cost (1967=100)	323.2	303.6	345.3	383.5	400.5	367.1	379.8	400.5	395.3	406.9	418.2
Farm value (1967=100)	288.8	220.6	315.1	299.1	276.7	260.2	244.2	268.4	281.8	290.8	294.7
Farm-retail spread (1967=100)	338.7	340.8	358.9	421.4	456.1	415.1	440.7	459.8	446.3	459.0	473.6
Farm value/retail cost (%)	27.7	22.5	28.3	24.2	21.4	22.0	19.9	20.8	22.1	22.1	21.8
Fresh vegetables											
Retail costs (1967=100)	288.9	299.3	331.8	317.5	301.4	309.0	333.7	343.7	326.2	325.0	321.9
Farm value (1967=100)	261.3	267.4	298.7	256.7	289.4	206.9	241.7	299.3	209.8	228.7	263.8
Farm-retail spread (1967=100)	301.8	314.3	347.4	346.1	307.1	357.0	376.9	364.6	380.9	370.3	349.2
Farm value/retail cost (%)	28.9	28.6	28.8	25.9	30.7	21.4	23.2	27.8	20.6	22.5	26.2
Processed fruits & vegetables											
Retail cost (1967=100)	286.0	288.8	306.1	314.1	316.9	310.5	309.7	309.2	307.9	308.6	309.2
Farm value (1967=100)	321.1	300.5	343.5	378.5	383.6	324.7	324.0	322.8	324.2	325.0	319.9
Farm-retail spread (1967=100)	278.2	286.2	297.8	299.9	302.1	307.4	306.5	306.2	304.3	305.0	306.8
Farm value/retail costs (%)	20.4	18.9	20.3	21.8	21.9	19.0	19.0	18.9	19.1	19.1	18.8
Fats & oils											
Retail cost (1967=100)	259.9	263.1	288.0	294.4	297.1	290.2	288.5	287.2	287.0	287.3	287.8
Farm value (1967=100)	207.8	251.0	324.8	271.3	240.2	179.8	185.4	182.9	181.1	172.8	159.6
Farm-retail spread (1967=100)	279.9	267.8	273.8	303.3	319.0	352.6	328.2	327.3	327.7	331.3	337.0
Farm value/retail cost (%)	22.2	26.5	31.3	25.6	22.5	17.2	17.8	17.7	17.5	16.7	15.4
Beef, Choice											
Retail price 2/ (cts./lb.)	242.5	238.1	239.6	232.6	225.5	230.3	227.0	226.8	226.6	227.4	230.2
Net carcass value 3/ (cts.)	150.7	145.4	147.6	135.2	119.8	128.1	125.2	129.7	125.7	133.4	135.6
Net farm value 4/ (cts.)	140.5	136.2	140.0	126.8	112.0	119.8	116.2	120.4	113.3	124.9	128.2
Farm-retail spread (cts.)	102.0	101.9	99.6	105.8	113.5	110.5	110.8	106.4	113.3	102.5	102.0
Carcass-retail spread 5/ (cts.)	91.8	92.7	92.0	97.4	105.7	102.2	101.8	97.1	100.9	94.0	94.6
Farm-carcass spread 6/ (cts.)	10.2	9.2	7.6	8.4	7.8	8.3	9.0	9.3	12.4	8.5	7.4
Farm value/retail price (%)	58	57	58	55	50	52	51	53	50	55	56
Pork											
Retail price 2/ (cts./lb.)	175.4	169.8	162.0	162.0	161.8	165.8	162.2	162.3	166.5	183.4	190.3
Wholesale value 3/ (cts.)	121.8	108.9	110.1	101.1	96.8	92.4	91.7	102.8	112.2	127.4	131.9
Net farm value 4/ (cts.)	88.0	76.5	77.4	71.4	69.8	65.5	64.8	76.6	89.8	97.9	102.0
Farm-retail spread (cts.)	87.4	93.3	84.6	90.6	92.0	100.3	97.4	85.7	76.7	85.5	88.3
Wholesale-retail spread 5/ (cts.)	53.6	60.9	51.9	60.9	65.0	73.4	70.5	59.5	54.3	56.0	58.4
Farm-wholesale spread 6/ (cts.)	33.8	32.4	32.7	29.7	27.0	26.9	26.9	26.2	22.4	29.5	29.9
Farm value/retail price (%)	50	45	48	44	43	40	40	47	54	53	54

1/ Retail costs are based on indexes of retail prices for domestically produced farm foods from the CPI-U published monthly by the Bureau of Labor Statistics. The farm value is the payment to farmers for quantity of farm product equivalent to retail unit, less allowance for byproduct. Farm values are based on prices at first point of sale and may include marketing charges such as grading and packing for some commodities. The farm-retail spread, the difference between the retail price and the farm value, represents charges for assembling, processing, transporting, and distributing these foods. 2/ Estimated weighted average price of retail cuts from pork and yield grade 3 beef carcasses. Retail cut prices from BLS. 3/ Value of carcass quantity equivalent to 1 lb. of retail cuts; beef adjusted for value of fat and bone byproducts. 4/ Market value to producer for quantity of live animal equivalent to 1 lb. of retail cuts minus value of byproducts. 5/ Represents charges for retailing and other marketing services such as fabricating, wholesaling, and in-city transportation. 6/ Represents charges made for livestock marketing, processing, and transportation to city where consumed.

Note: Annual historical data on farm-retail price spreads may be found in Food Consumption, Prices and Expenditures, Statistical Bulletin 736, ERS, USDA.

Information contacts: Denis Dunham (202) 786-1870; Ron Gustafson (202) 786-1830.

Table 9. Price Indexes of food marketing costs

(See the Sept. 1986 issue.) Information contact: Denis Dunham (202) 786-1870.

Table 10.—U.S. meats supply and use

Item	Beg. stks	Production 1/	Imports	Total supply	Exports	Shipments	Military consumption	Ending stocks	Civilian consumption: Total	Civilian consumption: Per capita 2/	Primary market price 3/
	Million pounds 4/									Pounds	
Beef:											
1984	325	23,598	1,823	25,746	329	47	112	358	24,900	78.5	65.34
1985	358	23,728	2,068	26,154	328	51	115	317	25,344	79.1	58.37
1986	317	24,037	2,125	26,479	500	55	118	350	25,456	78.7	57-59
1987 f	350	22,521	2,150	25,021	450	60	110	325	24,076	73.8	62-68
Pork:											48.86
1984	301	14,812	954	16,067	164	147	86	274	15,396	61.8	44.77
1985	274	14,807	1,128	16,209	128	131	78	229	15,643	62.1	51-53
1986	229	14,041	1,080	15,350	105	133	77	210	14,825	58.2	53-59
1987 f	210	13,755	1,100	15,065	120	140	80	225	14,500	56.4	
Veal:											60.23
1984	9	495	24	528	6	1	4	14	503	1.8	62.42
1985	14	515	20	549	4	1	7	11	526	1.8	60-62
1986	11	519	22	552	4	0	7	7	534	1.9	62-68
1987 f	7	426	20	453	4	1	7	7	434	1.5	
Lamb and mutton:											62.17
1984	11	379	20	410	2	3	0	7	398	1.5	68.61
1985	7	358	36	401	1	2	0	13	385	1.4	70-72
1986	13	332	40	385	2	1	0	11	371	1.4	68-74
1987 f	11	326	45	382	2	1	0	8	371	1.4	
Total red meat:											n.a.
1984	646	39,284	2,821	42,751	501	198	202	653	41,197	143.6	n.a.
1985	653	39,408	3,252	43,313	461	185	200	570	41,897	144.5	n.a.
1986	570	38,929	3,267	42,766	611	189	202	578	41,186	140.2	n.a.
1987 f	578	37,028	3,315	40,921	576	202	197	565	39,381	133.0	
Broilers:											55.6
1984	21	13,016	0	13,038	407	145	34	20	12,432	52.9	50.8
1985	20	13,762	0	13,781	417	143	34	27	13,161	55.5	56-58
1986	27	14,323	0	14,350	520	135	35	25	13,635	57.0	50-56
1987 f	25	15,263	0	15,288	520	140	36	25	14,567	60.3	
Mature chicken:											n.a.
1984	92	672	0	764	26	2	2	119	615	2.6	n.a.
1985	119	636	0	755	21	1	2	144	587	2.5	n.a.
1986	144	655	0	799	19	3	2	110	665	2.8	n.a.
1987 f	110	640	0	750	20	4	1	110	615	2.5	
Turkeys:											74.4
1984	162	2,685	0	2,847	27	7	13	125	2,676	11.4	75.5
1985	125	2,942	0	3,067	27	7	13	150	2,870	12.1	73-75
1986	150	3,334	0	3,484	28	5	14	220	3,216	13.4	65-71
1987 f	220	3,846	0	4,066	25	4	16	150	3,871	16.0	
Total poultry:											n.a.
1984	275	16,373	0	16,648	460	153	49	264	15,722	66.9	n.a.
1985	264	17,340	0	17,604	465	151	49	321	16,618	70.1	n.a.
1986	321	18,312	0	18,633	567	144	52	355	17,515	73.2	n.a.
1987 f	355	19,749	0	20,104	565	148	53	285	19,053	78.9	
Red meat & poultry:											n.a.
1984	921	55,657	2,821	59,399	961	351	251	917	56,919	210.5	n.a.
1985	917	56,747	3,252	60,917	926	336	241	891	58,515	214.6	n.a.
1986	891	57,241	3,267	61,399	1,178	333	254	933	58,701	213.4	n.a.
1987 f	933	56,777	3,315	61,025	1,141	350	250	850	58,434	211.9	

1/ Total including farm production for red meats and federally inspected plus non-federally inspected for poultry. 2/ Retail weight basis. 3/ Dollars per cwt for red meat; cents per pound for poultry. Beef: choice steers, Omaha 900-1,100 lbs.; pork: barrows and gilts, 7 markets; veal: farm price of calves; lamb and mutton: choice slaughter lambs, San Angelo; broilers: wholesale 12-city average; turkeys: wholesale NY 8-16 lb. young hens. 4/ Carcass weight for red meats and certified ready-to-cook for poultry. n.a. = not available. f = forecast.

Information contact: Ron Gustafson (202) 786-1830.

Table 11.—U.S. egg supply and use

	Beg. stocks	Production	Imports	Total supply	Exports	Shipments	Military use	Hatching use	Ending stocks	Civilian consumption: Total	Civilian consumption: Per capita	Wholesale price*
	Million dozen										No.	Cts./doz.
1982	17.5	5,801.9	2.5	5,821.8	158.2	26.7	22.4	505.6	20.3	5,088.6	265.1	70.1
1983	20.3	5,659.2	23.4	5,703.0	85.8	26.6	25.1	500.0	9.3	5,056.2	260.8	75.2
1984	9.3	5,708.2	32.0	5,749.5	58.2	27.8	17.6	529.7	11.1	5,105.1	260.9	80.9
1985	11.1	5,687.5	12.7	5,711.3	70.6	30.3	20.2	548.1	10.7	5,031.3	254.6	66.4
1986 e	10.7	5,705.5	15.6	5,731.8	100.4	24.2	18.8	563.1	10.0	5,015.4	251.5	69-71
1987 f	10.0	5,780.0	12.0	5,802.0	100.0	24.0	20,0	600.0	10.0	5,048.0	250.8	65-71

* Cartoned Grade A large eggs in New York. e = estimated. f = forecast.

Information contact: Allen Baker (202) 786-1830.

Table 12.—U.S. milk supply and use[1]

Calendar year	Production	Farm use	Commercial: Farm marketings	Commercial: Beg. stocks	Imports	Total commercial supply	CCC net removals	Commercial: Ending stocks	Commercial: Disappearance	All milk price 2/
	Billion pounds									$/cwt
1980	128.4	2.4	126.1	5.4	2.1	133.6	8.8	5.8	119.0	13.05
1981	132.8	2.3	130.5	5.8	2.3	138.5	12.9	5.4	120.3	13.77
1982	135.5	2.4	133.1	5.4	2.5	141.0	14.3	4.6	122.1	13.61
1983	139.7	2.4	137.3	4.6	2.6	144.5	16.8	5.2	122.5	13.58
1984	135.4	2.9	132.5	5.2	2.7	140.5	8.6	4.9	126.9	13.46
1985	143.7	2.5	141.2	4.9	2.8	148.9	13.2	4.6	131.1	12.75
1986 p	145.1	2.3	142.7	4.6	2.9	150.2	10.6	4.8	134.8	12.40

1/ Milkfat basis. Totals may not add because of rounding. 2/ Delivered to plants and dealers; does not reflect deductions. p = preliminary.

Information contact: Jim Miller (202) 786-1830.

Livestock and Products

Table 13.—Poultry and eggs

	Annual			1985	1986					
	1983	1984	1985	Aug	Mar	Apr	May	June	July	Aug
Broilers										
Federally inspected slaughter, certified (mil. lb.)	12,389.0	12,998.6	13,569.2	1,198.4	1,115.8	1,249.6	1,229.1	1,194.5	1,196.2	1,167.0
Wholesale price, 12-city, (cts./lb.)	50.4	55.6	50.8	50.1	50.3	50.0	54.6	58.3	69.1	69.7
Price of grower feed ($/ton)	223	233	197	192	n.a.	189	n.a.	n.a.	190	n.a.
Broiler-feed price ratio 1/	2.6	2.8	3.1	3.1	n.a.	3.2	n.a.	n.a.	4.5	n.a.
Stocks beginning of period (mil. lb.)	22.3	21.2	19.7	30.6	25.2	23.8	22.3	23.7	23.3	24.0
Broiler-type chicks hatched (mil) 2/	4,447.0	4,593.9	4,803.8	406.4	429.6	423.9	438.5	428.3	429.8	415.8
Turkeys										
Federally inspected slaughter, certified (mil. lb.)	2,563	2,574	2,800	295.2	193.6	205.2	236.4	275.8	303.5	281.6
Wholesale price, New York, 8-16 lb. young hens (cts./lb.)	60.5	74.4	75.5	78.4	66.0	64.6	67.1	73.8	77.8	80.5
Price of turkey grower feed ($/ton)	247	245	212	211	n.a.	215	n.a.	n.a.	221	n.a.
Turkey-feed price ratio 1/	3.0	3.8	4.4	4.5	n.a.	3.5	n.a.	n.a.	4.5	n.a.
Stocks beginning of period (mil.lb.)	203.9	161.8	125.3	304.7	161.3	150.0	186.3	226.8	294.0	388.1
Poults placed in U.S. (mil.)	181.8	190.0	197.8	155	20.7	23.0	24.2	23.6	22.3	16.4
Eggs										
Farm production (mil.)	67,911	68,498	68,250	5,686	5,903	5,651	5,781	5,593	5,690	5,706
Average number of layers (mil.)	276	278	277	272.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rate of lay (eggs per layer on farms)	247	245	247	20.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cartoned price, New York, grade A large (cts./doz.) 3/	75.2	80.9	66.4	69.8	80.8	65.7	65.2	59.2	73.0	72.8
Price of laying feed ($/ton)	204	206	182	178	n.a.	177	n.a.	n.a.	172	n.a.
Egg-feed price ratio 1/	6.2	6.8	6.3	6.5	n.a.	6.5	n.a.	n.a.	6.8	n.a.
Stocks, first of month										
Shell (mil. doz.)	1.02	.39	.93	.90	.63	.60	.96	1.32	1.14	.75
Frozen (mil. doz.)	19.3	8.9	10.2	13.7	9.7	8.1	9.5	8.6	10.7	11.5
Replacement chicks hatched (mil.)	407	459	407	32.5	39.7	42.7	42.7	37.4	33.5	33.4

1/ Pounds of feed equal in value to 1 dozen eggs or 1 lb. of broiler or turkey liveweight. 2/ Placement of broiler chicks are currently reported for 12 states only; henceforth, hatch of broiler-type chicks will be used as a substitute. 3/ Price of cartoned eggs to volume buyers for delivery to retailers. n.a. = not available.

Information contact: Allen Baker (202) 786-1830.

Table 14.—Dairy

	Annual			1985	1986					
	1983	1984	1985	Aug	Mar	Apr	May	June	July	Aug
Milk prices, Minnesota-Wisconsin, 3.5% fat ($/cwt.) 1/	12.49	12.29	11.48	11.08	11.02	10.98	10.98	11.00	11.06	11.33
Price of 16% dairy ration ($/ton)	188	191	168	165	n.a.	164	n.a.	n.a.	1.59	n.a.
Milk-feed price ratio 2/	1.45	1.42	1.51	1.47	n.a.	1.46	n.a.	n.a.	1.50	n.a.
Wholesale prices										
Butter, Grade A Chi. (cts./lb.)	147.3	148.8	141.1	140.7	137.5	138.7	138.7	139.1	143.7	153.9
Am. cheese, Wis. assembly pt. (cts./lb.)	138.3	138.0	127.7	124.2	123.2	125.0	126.0	125.4	126.7	129.5
Nonfat dry milk, (cts./lb.) 3/	93.2	90.9	84.0	80.9	79.9	80.4	80.4	80.4	80.4	80.6
USDA net removals										
Total milk equiv. (mil. lb.) 4/	16,813.7	8,637.0	13,174.1	755.0	821.0	1,701.2	1,425.8	1,105.6	639.3	152.6
Butter (mil. lb.)	413.2	202.3	334.2	11.9	20.8	50.8	39.0	20.5	5.8	-2.6
Am. cheese (mil. lb.)	832.8	447.3	629.0	51.0	39.3	65.6	62.4	68.6	51.8	20.2
Nonfat dry milk (mil. lb.)	1,061.0	678.4	940.6	87.2	65.6	105.5	99.9	108.6	80.5	46.6
Milk										
Total milk production (mil. lb.)	139,672	135,450	143,667	12,388	12,726	12,613 6/	13,198 6/	12,706 6/	12,419 6/	12,044
Milk per cow (lb.)	12,585	12,506	13,031	1,116	1,143	n.a.	n.a.	n.a.	n.a.	n.a.
Number of milk cows (thou.)	11,098	10,833	11,025	11,105	11,130	n.a.	n.a.	n.a.	n.a.	n.a.
Stocks, beginning 4/										
Total (mil. lb.)	20,054	22,646	16,429	16,215	14,192	15,401	16,233	17,481	17,811	17,974
Commercial (mil. lb.)	4,603	5,234	4,937	5,528	4,963	4,991	5,057	5,244	5,278	5,284
Government (mil. lb.)	15,451	17,412	11,492	10,687	9,230	10,219	11,176	12,236	12,533	12,690
Imports, total (mil. lb.) 4/	2,616	2,741	2,777	213	203	162	175	207	214	212
Commercial disappearance milk equiv. (mil. lb.)	122,474	126,912	131,150	11,927	11,883	10,818	11,563	11,583	11,791	11,890
Butter										
Production (mil. lb.)	1,299.2	1,103.3	1,247.8	92.1	120.2	121.7	116.0	92.0	81.5	70.3
Stocks, beginning (mil. lb.)	466.8	499.4	296.5	280.7	245.5	283.3	304.7	333.8	342.8	337.6
Commercial disappearance (mil. lb.)	881.7	902.7	918.2	91.2	101.2	74.3	73.8	76.3	79.1	71.9
American cheese										
Production (mil. lb.)	2,927.7	2,648.5	2,854.4	246.3	263.6	266.1	280.8	262.1	244.1	224.0
Stocks, beginning (mil. lb.)	981.4	1,161.5	960.5	941.1	810.8	822.3	857.6	902.6	921.0	935.7
Commercial disappearance (mil. lb.)	2,083.3	2,253.6	2,278.3	200.6	216.2	199.0	206.6	187.3	191.1	209.2
Other cheese										
Production (mil. lb.)	1,891.8	2,025.5	2,170.5	176.4	199.0	194.9	199.7	197.0	195.2	200.9
Stocks, beginning (mil. lb.)	82.8	104.9	101.4	110.0	89.3	112.1	95.6	94.8	98.0	100.5
Commercial disappearance (mil. lb.)	2,134.3	2,310.9	2,460.5	203.2	224.4	199.4	219.4	215.9	215.4	220.8
Nonfat dry milk										
Production (mil. lb.)	1,499.9	1,160.7	1,390.0	132.7	128.1	137.2	144.0	136.7	115.1	95.9
Stocks, beginning (mil. lb.)	1,282.0	1,405.2	1,247.6	1,106.4	947.0	988.0	965.7	1,024.4	1,011.8	997.2
Commercial disappearance (mil. lb.)	459.9	497.8	435.0	52.4	51.6	26.9	38.2	28.3	52.8	51.4
Frozen dessert production (mil. gal.) 5/	1,224.2	1,241.8	1,249.5	127.0	104.7	111.4	125.3	130.8	135.5	126.6

1/ Manufacturing grade milk. 2/ Pounds of 16% protein ration equal in value to 1 pound of milk. 3/ Prices paid f.o.b. Central States production area, high heat spray process. 4/ Milk-equivalent, fat-basis. 5/ Ice cream, ice milk, and hard sherbet. 6/ Estimated. n.a. = not available.

Information contact: Jim Miller (202) 786-1830.

Table 15.—Wool

	Annual			1985	1986					
	1983	1984	1985	Aug	Mar	Apr	May	June	July	Aug
U.S. wool price, Boston 1/ (cts./lb.)	212	229	192	193	180	188	198	198	193	190
Imported wool price, Boston 2/ (cts./lb.)	248	241	197	213	205	210	216	203	n.a.	187
U.S. mill consumption, scoured										
Apparel wool (thou. lb.)	126,729	128,982	106,051	8,136	10,770	13,491	10,803	11,454	12,288	9,963
Carpet wool (thou. lb.)	13,851	13,088	10,562	1,075	785	930	924	629	866	1,032

1/ Wool price delivered at U.S. mills, clean basis, Graded Territory 64's (20.60-22.04 microns) staple 2-3/4'' and up. 2/ Wool price delivered at U.S. mills, clean basis, Australian 60/62's, type 64A (24 micron). Duty since 1982 has been 10.0 cents. n.a. = not available.

Information contact: John Lawler (202) 786-1840.

Table 16.—Meat animals

	Annual			1985	1986					
	1983	1984	1985	Aug	Mar	Apr	May	June	July	Aug
Cattle on feed (7-States)										
Number on feed (thou. head) 1/	8,316	8,006	8,635	6,404	7,262	7,263	7,077	7,076	6,523	6,321
Placed on feed (thou. head)	19,744	20,772	19,346	1,510	1,650	1,555	1,746	1,142	1,544	1,812
Marketings (thou. head)	18,701	18,785	18,989	1,697	1,563	1,621	1,615	1,128	1,682	1,659
Other disappearance (thou. head)	1,354	1,376	1,132	62	86	120	132	67	64	70
Beef steer-corn price ratio, Omaha 2/	20.6	21.6	23.3	21.8	24.0	22.9	22.8	22.3	29.0	36.6
Hog-corn price ratio, Omaha 2/	15.9	16.1	17.8	18.2	17.6	17.2	19.5	22.4	30.3	39.3
Market prices ($ per cwt.)										
Slaughter cattle:										
Choice steers, Omaha	62.37	65.34	58.37	51.94	55.55	53.68	55.79	54.08	58.27	59.04
Utility cows, Omaha	39.35	39.81	38.32	35.90	38.00	35.95	37.91	38.77	38.32	37.62
Choice vealers, S. St. Paul	72.97	63.95	58.28	58.59	55.00	55.00	55.83	61.10	62.13	62.50
Feeder cattle:										
Choice, Kansas City, 600-700 lb.	63.70	65.28	64.56	61.52	63.22	60.32	60.40	58.50	61.00	65.75
Slaughter hogs:										
Barrows & gilts, 7-markets	47.71	48.86	44.77	43.50	40.88	40.27	46.91	54.50	60.99	63.39
Feeder pigs:										
S. Mo. 40-50 lb. (per head)	34.03	39.12	37.20	34.17	41.33	37.98	39.97	41.92	50.76	56.64
Slaughter sheep & lambs:										
Lambs, Choice, San Angelo	57.40	62.18	68.61	71.69	70.96	74.22	81.25	77.36	73.84	68.12
Ewes, Good, San Angelo	16.85	20.90	34.02	32.50	33.12	32.00	33.94	35.88	35.31	34.88
Feeder lambs:										
Choice, San Angelo	54.87	61.02	85.91	74.34	74.19	79.98	84.22	84.69	79.97	80.06
Wholesale meat prices, Midwest										
Choice steer beef, 600-700 lb.	97.83	98.01	90.76	80.02	85.04	83.34	86.42	83.58	89.25	90.98
Canner & Cutter cow beef	78.48	74.70	74.13	74.02	72.12	68.76	71.39	73.41	73.33	71.50
Pork loins, 8-14 lb. 3/	—	96.36	91.51	93.77	88.12	89.31	102.53	111.58	121.77	125.73
Pork bellies, 12-14 lb.	60.58	60.08	59.50	54.17	50.80	49.45	61.82	71.83	90.08	89.10
Hams, skinned, 14-17 lb.	75.60	78.22	67.50	63.92	61.12	58.20	64.89	69.69	85.57	92.16
Commercial slaughter (thou. head)*										
Cattle	36,649	37,582	36,293	3,215	2,839	3,215	3,235	3,123	3,322	3,203
Steers	17,486	17,474	16,912	1,519	1,339	1,542	1,506	1,519	1,555	1,497
Heifers	10,758	10,691	11,237	1,060	871	927	971	921	1,004	1,009
Cows	7,597	8,617	7,387	569	573	692	693	621	698	635
Bulls & stags	808	789	758	67	56	54	65	62	65	62
Calves	3,076	3,297	3,385	289	294	303	276	257	300	278
Sheep & lambs	6,619	6,759	6,165	517	540	492	431	419	448	443
Hogs	87,584	85,168	84,492	7,016	6,855	7,354	6,884	6,076	6,098	5,972
Commercial production (mil. lb.)										
Beef	23,060	23,418	23,557	2,123	1,861	2,111	2,109	2,027	2,148	2,077
Veal	428	479	499	41	43	45	43	41	45	44
Lamb & mutton	367	371	352	29	32	29	25	24	25	25
Pork	15,117	14,720	14,728	1,210	1,198	1,292	1,210	1,065	1,063	1,037

	Annual			1985				1986		
	1983	1984	1985	I	II	III	IV	I	II	III
Cattle on feed (13-States)										
Number on feed (thou. head) 1/	10,271	9,908	10,653	10,653	9,676	8,670	7,937	9,694	8,915	7,950
Placed on feed (thou. head)	23,776	24,917	23,326	5,315	5,206	5,480	7,325	5,260	5,181	—
Marketings (thou. head)	22,548	22,540	22,887	5,907	5,787	5,969	5,224	5,723	5,771 5/	5,661
Other disappearance (thou. head)	1,591	1,632	1,398	373	437	244	344	316	375	—
Hogs & pigs (10-States) 4/										
Inventory (thou. head) 1/	44,150	42,420	41,100	42,420	39,680	41,650	41,820	41,100	38,600	38,045
Breeding (thou. head) 1/	5,638	5,348	5,258	5,348	5,220	5,397	5,377	5,258	4,988	4,840
Market (thou. head) 1/	38,512	37,072	35,842	37,072	34,460	36,253	36,443	35,842	33,612	33,205
Farrowings (thou. head)	9,735	9,020	9,020	1,935	2,420	2,191	2,265	1,940	2,161 5/	2,021
Pig crop (thou. head)	72,733	67,680	67,648	14,690	18,762	16,941	17,255	14,880	16,878	—

1/ Beginning of period. 2/ Bushels of corn equal in value to 100 pounds live-weight. 3/ Beginning January 1984 prices are for 14-17 lbs.; January 1986 prices are for 14-18 lbs. 4/ Quarters are Dec. of preceding year-Feb. (I), Mar.-May (II), June-Aug. (III), and Sept.-Nov. (IV). 5/ Intentions. *Classes estimated.

Information contact: Ron Gustafson (202) 786-1830.

Table 17.—Supply and utilization[1,2]

	Area											
	Set aside 3/	Planted	Harvested	Yield	Production	Total supply 4/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 5/
	Mil. acres			Bu/acre	Mil. bu							$/bu
Wheat												
1981/82	0	88.3	80.6	34.5	2,785	3,777	135	/12	1,771	2,618	1,159	3.65
1982/83	5.8	86.2	77.9	35.5	2,765	3,932	195	713	1,509	2,417	1,515	3.55
1983/84	30.0	76.4	61.4	39.4	2,420	3,939	369	742	1,429	2,540	1,399	3.53
1984/85*	18.6	79.2	66.9	38.8	2,595	4,003	405	/49	1,424	2,578	1,425	3.38
1985/86*	18.8	75.6	64.7	37.5	2,425	3,865	274	771	915	1,960	1,905	3.16
1986/87*	20.9	72.0	60.5	34.3	2,077	3,991	350	780	1,075	2,205	1,786	2.20-2.40
	Mil. acres			lb/acre	Mil. cwt (rough equiv.)							$/cwt
Rice												
1981/82	0	3.83	3.79	4,819	182.7	199.6	--	6/ 78.1	82.0	150.6	49.0	9.05
1982/83	0.42	3.30	3.26	4,710	153.6	203.4	-	6/ 62.9	68.9	131.8	71.5	8.11
1983/84	1.74	2.19	2.17	4,598	99.7	171.9	--	6/ 54.7	70.3	125.0	46.9	8.76
1984/85*	.79	2.83	2.80	4,954	138.8	185.3	--	6/ 60.5	62.1	122.6	64.7	8.06
1985/86*	1.16	2.52	2.50	5,437	136.0	202.9	--	6/ 66.9	58.7	125.6	77.3	6.72
1986/87*	1.20	2.35	2.33	5,552	129.5	208.3	--	6/ 67.0	80.0	147.0	61.3	5.20-4.00
	Mil. acres			Bu/acre	Mil. bu							$/bu
Corn												
1981/82	0	84.1	74.5	108.9	8,119	9,512	4,169	796	2,010	6,975	2,537	2.50
1982/83	2.1	81.9	72.7	113.2	8,235	10,772	4,521	894	1,834	7,249	3,523	2.68
1983/84	32.2	60.2	51.5	81.1	4,175	7,700	3,818	975	1,901	6,694	1,006	3.25
1984/85*	3.9	80.5	71.9	106.7	7,674	8,684	4,116	1,055	1,865	7,036	1,648	2.62
1985/86*	5.4	83.3	75.1	118.0	8,865	10,524	4,116	1,129	1,241	6,486	4,038	2.35
1986/87*	13.0	76.6	69.0	119.2	8,220	12,261	4,200	1,150	1,400	6,750	5,511	1.55-1.80
	Mil. acres			Bu/acre	Mil. bu							$/bu
Sorghum												
1981/82	0	15.9	13.7	64.0	876	1,006	417	10	260	687	319	2.38
1982/83	0.7	16.0	14.1	59.1	835	1,154	495	10	210	715	439	2.52
1983/84	5.7	11.9	10.0	48.7	488	927	385	10	245	640	287	2.84
1984/85*	.6	17.3	15.4	56.4	866	1,154	539	18	297	854	300	2.39
1985/86*	.9	18.3	16.7	66.7	1,113	1,413	655	29	178	862	551	2.15
1986/87*	2.5	15.0	13.5	65.7	887	1,438	575	30	240	845	593	1.45-1.70
	Mil. acres			Bu/acre	Mil. bu							$/bu
Barley												
1981/82	0	9.6	9.0	52.4	474	621	198	175	100	473	148	2.44
1982/83	0.4	9.5	9.0	57.2	516	675	241	170	47	458	217	2.22
1983/84	1.1	10.4	9.7	52.3	509	733	282	170	92	544	189	2.50
1984/85*	.5	12.0	11.2	53.4	599	799	304	170	77	551	247	2.26
1985/86*	.7	13.2	11.6	51.0	591	847	333	167	22	521	325	2.00
1986/87*	1.8	13.0	12.0	50.0	600	930	300	175	100	575	355	1.55-1.60
	Mil. acres			Bu/acre	Mil. bu							$/bu
Oats												
1981/82	0	13.6	9.4	54.2	510	689	453	77	7	537	152	1.89
1982/83	0.1	14.0	10.3	57.8	593	749	441	85	3	529	220	1.49
1983/84	.3	20.3	9.1	52.6	477	727	466	78	2	546	181	1.67
1984/85*	.1	12.4	8.2	58.0	474	689	433	74	1	509	180	1.69
1985/86*	.1	13.3	8.2	63.6	521	726	461	81	2	546	183	1.25
1986/87*	0.7	14.7	7.0	54.9	384	596	400	85	2	487	109	0.90-1.15
	Mil. acres			Bu/acre	Mil. bu							$/bu
Soybeans												
1981/82	0	67.5	66.2	30.1	1,989	2,302	7/ 89	1,030	929	2,048	254	6.04
1982/83	0	70.9	69.4	31.5	2,190	2,444	7/ 86	1,108	905	2,099	345	5.69
1983/84	0	63.8	62.5	26.2	1,636	1,981	7/ 79	983	743	1,805	176	7.81
1984/85*	0	67.8	66.1	28.1	1,861	2,037	7/ 93	1,030	598	1,721	316	5.78
1985/86*	0	63.1	61.6	34.1	2,099	2,415	7/ 85	1,055	740	1,879	536	5.10
1986/87*	0	61.8	59.8	33.1	1,992	2,528	7/ 90	1,075	760	1,928	600	4.50-4.90
								Mil. lbs				8/ ¢/lb
Soybean oil												
1981/82	--	--	-	--	10,979	12,715	--	9,536	2,077	11,612	1,103	19.0
1982/83	--	--	--	--	12,041	13,144	--	9,858	2,025	11,883	1,261	20.6
1983/84	--	--	--	--	10,872	12,133	--	9,588	1,824	11,412	721	30.6
1984/85*	--	--	--	--	11,468	12,209	--	9,917	1,660	11,577	632	29.5
1985/86*	-	-	--	-	11,638	12,280	-	10,000	1,250	11,250	1,030	18.0
1986/87*	--	--	-	--	11,825	12,855	--	10,300	1,200	11,500	1,355	13.0-16.0
								Thou. tons				9/ $/ton
Soybean meal												
1981/82	--	--	--	--	24,634	24,797	--	17,714	6,908	24,622	175	183
1982/83	--	--	--	--	26,714	26,889	--	19,306	7,109	26,415	474	187
1983/84	--	--	--	--	22,756	23,230	--	17,615	5,360	22,975	255	188
1984/85*	--	--	--	--	24,529	24,784	--	19,480	4,917	24,397	387	175
1985/86*	--	--	--	--	24,983	25,370	--	19,000	6,050	25,050	320	155
1986/87*	--	--	-	--	25,370	25,690	*	19,500	5,900	25,400	270	140-165

See footnotes at end of table.

Table 17.— Supply and utilization, continued

	Set aside 3/	Area planted	Area harvested	Yield	Production	Total supply 4/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 5/
	Mil. acres			lb/acre	Mil. bales							¢/lb
Cotton 10/												
1981/82	0	14.3	13.8	542	15.6	18.3	--	5.3	6.6	11.8	6.6	54.0
1982/83	1.6	11.3	9.7	590	12.0	18.6	--	5.5	5.2	10.7	7.9	59.1
1983/84	6.8	7.9	7.3	508	7.8	15.7	--	5.9	6.8	12.7	2.8	66.4
1984/85*	2.5	11.1	10.4	600	13.0	15.8	--	5.5	6.2	11.8	4.1	57.8
1985/86*	3.6	10.7	10.2	630	13.4	17.6	-	6.4	2.0	8.4	9.4	54.8
1986/87*	3.6	9.6	8.9	539	10.0	19.4	-	7.0	6.8	13.8	5.7	---

*October 10, 1986 Supply and Demand Estimates. 1/ Marketing year beginning June 1 for wheat, barley, and oats, August 1 for cotton and rice, September 1 for soybeans, corn, and sorghum. October 1 for soymeal, and soyoil. 2/ Conversion factors: Hectare (ha.) = 2.471 acres, 1 metric ton = 2204.622 pounds, 36.7437 bushels of wheat or soybeans, 39.3679 bushels of corn or sorghum, 45.9296 bushels of barley, 68.8944 bushels of oats, 22.046 cwt. of rice, and 4.59 480-pound bales of cotton. 3/ Includes diversion, PIK, and acreage reduction programs. 4/ Includes imports. 5/ Season average. 6/ Residual included in domestic use. 7/ Includes seed. 8/ Average of crude soybean oil, Decatur. 9/ Average of 44 percent, Decatur. 10/ Upland and extra long staple. Stock estimates based on Census Bureau data which results in an unaccounted difference between supply and use estimates and changes in ending stocks.

Information contact: Sam Evans (202) 786-1840.

Table 18.—Food grains

	Marketing year 1/				1985	1986				
	1982/83	1983/84	1984/85	1985/86	Aug	Apr	May	June	July	Aug
Wholesale prices										
Wheat, No. 1 HRW, Kansas City ($/bu.) 2/	3.94	3.83	3.74	3.28	3.03	3.45	3.40	2.80	2.50	2.48
Wheat, DNS, Minneapolis ($/bu.) 2/	3.95	4.21	3.70	3.25	2.87	3.42	3.05	2.51	2.17	2.39
Rice, S.W. La. ($/cwt.) 3/	18.00	19.38	17.98	16.11	17.50	15.50	12.67	12.75	12.42	10.63
Wheat										
Exports (mil. bu.)	1,509	1,429	1,424	915	90	65	51	86	110	124
Mill grind (mil. bu.)	656	694	676	317	61	58	59	58	61	n.a.
Wheat flour production (mil. cwt.)	292	308	301	707	27	26	26	26	27	n.a.
Rice										
Exports (mil. cwt, rough equiv.)	68.9	70.3	62.1	58.7	5.50	2.96	3.15	6.52	9.65	10.30

	Marketing year 1/			1985				1986		
	1983/84	1984/85	1985/86	Jan-Mar	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May	Jun-Aug
Wheat										
Stocks, beginning (mil. bu.)	1,515	1,399	1,425	2,141	1,667	1,425.2	2,971.1	2,526.1	2,130.0	1905.0
Domestic use:										
Food (mil. bu.)	643	651	678	165	105.8	223.7	176.8	166.9	110.7	174.0
Feed & seed (mil. bu.) 4/	469	502	371	4.4	-1.2	334.7	24.9	4.9	1.8	421.0
Exports (mil. bu.)	1,429	1,424	915	266	139.1	326.6	247.3	226.1	115.3	320.2

1/ Beginning June 1 for wheat and August 1 for rice. 2/ Ordinary protein. 3/ Long-grain, milled basis. 4/ Feed use approximated by residual. n.a. = not available.

Information contacts: Allen Schienbein and Janet Livezey (202) 786-1840.

Table 19.—Cotton

	Marketing year 1/				1985	1986				
	1982/83	1983/84	1984/85	1985/86	Aug	Apr	May	June	July	Aug
U.S. price, SLM, 1-1/16 in. (cts/lb.) 2/	63.1	73.1	60.5	60.0	57.9	62.6	64.0	65.2	65.7	26.8
Northern Europe prices:										
Index (cts./lb.) 3/	76.7	87.6	69.2	48.9	57.0	48.5	45.4	41.0	37.7	37.2
U.S. M 1-3/32" (cts./lb.) 4/	78.0	87.1	73.9	64.8	68.2	72.9	73.5	41.3	38.1	37.8
U.S. mill consumption (thou. bales)	5,512.0	5,928.0	5,540.0	6,399.0	525.9	572.0	579.0	537.7	498.9	524.4
Exports (thou. bales)	5,206.8	6,786.0	6,201.3	1,969.2	206.9	173.0	81.0	68.9	23.0	272.0
Stocks, beginning (thou. bales)	6,632	7,937	2,775	9,438	4,102	11,732	10,987	10,327	9,720	9,348

1/ Beginning August 1. 2/ Average spot market. 3/ Liverpool Outlook "A" index; average of five lowest priced of 10 selected growths. 4/ Memphis territory growths.

Information contact: Bob Skinner (202) 786-1840.

Table 20.—Feed grains

	Marketing year 1/				1985	1986				
	1982/83	1983/84	1984/85	1985/86	Aug	Apr	May	June	July	Aug
Wholesale prices										
Corn, No. 2 yellow, Chicago ($/bu.)	2.81	3.46	2.79	2.35	2.50	2.46	2.55	2.52	1.98	1.68
Sorghum, No. 2 yellow, Kansas City ($/cwt.)	4.80	5.22	4.46	3.72	4.06	4.00	4.25	4.00	3.20	2.71
Barley, feed, Minneapolis ($/bu.)	1.76	2.48	2.09	1.53	1.46	---	1.31	1.23	1.16	1.13
Barley, malting, Minneapolis ($/bu.)	2.53	2.84	2.55	2.24	2.03	2.40	2.07	1.84	1.75	1.61
Exports										
Corn (mil. bu.)	1,834	1,902	1,865	1,241	92	58	48	57	45	52
Feed grains (mil. metric tons) 2/	53.0	56.5	56.6	40.7	2.9	1.7	1.5	1.7	1.6	1.8

	Marketing year 1/			1985				1986		
	1982/83	1983/84	1984/85	Dec-Feb	Mar-May	June-Aug	Sept-Nov	Dec-Feb	Mar-May	June-Aug p
Corn										
Stocks, beginning (mil. bu.)	2,537	3,523	1,006	6,631	4,623	2,836	1,648	8,615	6,587	4,989
Domestic use:	4,521	3,818	4,116	1,183	1,026	612	1,210	1,305	1,095	506
Feed (mil. bu.)	895	975	1,055	242	283	280	272	259	302	296
Food, seed, ind. (mil. bu.)	1,834	1,902	1,865	584	479	296	418	465	204	154
Exports (mil. bu.)	7,249	6,694	7,036	2,008	1,789	1,188	1,900	2,029	1,601	956
Total use (mil. bu.)										

1/ September 1 for corn and sorghum; June 1 for oats and barley. 2/ Aggregated data for corn, sorghum, oats, and barley.
p = preliminary.

Information contacts: Dave Hull (202) 786-1840; Jim Cole (202) 786-1693.

Table 21.—Fats and oils

	Marketing year 1/				1985	1986				
	1982/83	1983/84	1984/85	1985/86	Aug	Apr	May	June	July	Aug
Soybeans										
Wholesale price, No. 1 yellow, Chicago ($/bu.) 2/	6.11	7.78	5.88	5.20	5.20	5.29	5.54	5.33	5.25	4.71
Crushings (mil. bu.)	1,108.0	982.7	1,030.5	1053.0	77.5	84.4	86.3	79.6	83.1	78.4
Exports (mil. bu.)	905.2	740.3	600.7	740.0	26.3	80.4	57.2	28.7	26.6	740.1
Stocks, beginning	30.6	58.6	35.3	316.0	36.0	84.9	67.6	53.2	40.7	40.2
Soybean oil										
Wholesale price, crude, Decatur (cts./lb.)	20.62	30.55	29.52	18.0	24.08	17.65	17.79	16.22	14.28	14.28
Production (mil. lb.)	12,040.4	10,872.0	10,614.5	11,038.0	868.8	935.4	955.3	881.9	899.5	875.4
Domestic disap. (mil. lb.)	9,857.3	9,598.6	9,777.9	10,000.0	807.2	838.7	761.7	901.7	753.0	769.5
Exports (mil. lb.)	2,024.7	1,813.6	1,557.1	1,250.0	70.1	124.0	50.7	115.1	44.6	187.7
Stocks, beginning (mil. lb.)	1,102.5	1,260.9	720.5	632.0	724.2	1,246.6	1,219.3	1,360.2	1,225.2	1,327.1
Soybean meal										
Wholesale price, 44% protein, Decatur ($/ton)	187.19	188.21	125.46	155.00	121.40	157.00	157.90	158.90	161.00	163.50
Production (thou. ton)	26,713.6	22,756.2	22,729.1	24,983.0	1,831.6	2,008.4	2,036.7	1,879.4	1,976.7	1,865.6
Domestic disap. (thou. ton)	19,306.0	17,541.0	18,479.7	19,000.0	1,571.7	1,486.5	1,667.0	1,430.2	1,600.6	1,428.8
Exports (thou. ton)	7,108.7	5,436.1	4,504.8	6,050.0	364.4	607.7	378.1	452.9	404.2	345.0
Stocks, beginning (thou. ton)	175.2	474.1	255.4	387.0	362.5	386.6	300.8	282.4	278.7	250.6
Margarine, wholesale price, Chicago, white (cts/lb.)	41.1	46.3	55.4	42.1	52.0	41.75	41.88	40.40	39.00	37.95

1/ Beginning September 1 for soybeans; October 1 for soymeal and oil; calendar year for margarine. 2/ Beginning April 1, 1982, prices based on 30-day delivery, using upper end of the range.

Information contacts: Roger Hoskin (202) 786-1840; Tom Bickerton (202) 786-1691.

Table 22.—Fruit

	Calendar years											
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Citrus												
Production (thou. tons)	14,586	14,788	15,242	14,255	13,329	16,484	15,105	12,057	13,608	10,488	11,037 5/	12,425
Per capita consumption (lbs) 1/	119.5	117.8	118.8	108.1	108.8	113.1	104.7	110.0	120.7	103.2	115.4	n.a.
Non citrus												
Production (thou. tons)	12,384	11,846	12,274	12,460	13,689	15,153	12,961	14,217	14,154	14,290	14,180	n.a.
Per capita consumption (lbs) 1/	85.5	84.4	84.8	83.3	85.9	87.4	88.2	89.3	89.2	93.4	95.1	n.a.

	1985				1986							
	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
Fob shipping point prices												
Apples ($/carton) 2/	16.17	14.50	14.30	14.00	13.60	15.00	14.85	15.62	18.10	18.50	22.86	n.a.
Pears ($/box) 3/	n.a.	14.00	14.00	14.00	14.00	15.59	15.50	n.a.	24.18	25.70	n.a.	14.67
Oranges ($/box) 4/	5.78	4.87	6.01	4.88	4.27	3.71	3.85	3.79	4.19	4.27	3.63	4.03
Grapefruit ($/box) 4/	7.58	4.71	4.25	3.82	3.78	3.76	3.94	4.22	5.20	5.98	6.17	6.76
Stocks, ending												
Fresh apples (mil. lbs.)	1,712.2	3,668.3	3,342.5	2,724.7	2,125.2	1,550.2	1,039.3	612.6	267.2	118.8	25.4	7.9
Fresh pears (mil. lbs.)	398.7	298.9	222.2	183.2	142.9	101.3	71.6	35.5	4.9	.7	75.0	124.4
Frozen fruits (mil. lbs.)	760.1	819.9	788.9	720.7	656.5	597.1	544.6	496.9	461.4	558.1	719.6	731.1
Frozen orange juice (mil. lbs.)	883.8	778.8	656.0	684.4	888.4	966.8	911.5	1,031.6	1,047.5	1,056.9	920.3	857.0

1/ Per capita consumption of both fresh and processed fruit in fresh weight equivalent. Eighteen fruit items are not included in this year's new per capita consumption series. 2/ Red Delicious, Washington, extra fancy, carton tray pack, 80-113's. 3/ D'Anjou, Washington, standard box wrapped, U.S. No. 1, 90-135's. 4/ U.S. equivalent on-tree returns. 5/ As of September 1, 1986. n.a. = not available. F = forecast.

Information contact: Ben Huang (202) 786-1767.

Table 23.—Vegetables

	Calendar years									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Production										
Total vegetables (1,000 cwt) 1/	369,915	402,936	382,165	415,925	381,370	379,123	431,515	403,320	457,392	455,651
Fresh (1,000 cwt) 1/ 2/	175,800	176,541	182,563	190,859	190,228	194,694	207,924	197,919	217,132	217,814
Processed (tons) 3/	9,808,750	11,319,750	9,980,100	11,153,300	9,557,100	9,221,460	11,179,590	10,270,050	12,013,020	11,791,860
Mushrooms (1,000 lbs)	347,129	398,703	454,007	470,069	469,576	517,146	490,826	561,531	595,681	587,956
Potatoes (1,000 cwt)	357,666	355,334	366,514	342,447	302,857	338,591	355,131	333,911	362,612	407,109
Sweetpotatoes (1,000 cwt)	13,272	11,885	13,115	13,370	10,955	12,799	14,855	12,083	12,980	14,416
Dry edible beans (1,000 cwt) 4/	9,364	7,880	9,840	10,383	14,649	19,486	12,670	7,781	11,617	11,207

	1985				1986							
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
Shipments												
Fresh (1,000 cwt) 5/	16,414	15,002	18,318	14,708	14,021	22,189	16,643	17,454	19,210	32,927	26,825	27,818	17,579
Potatoes (1,000 cwt)	7,474	7,850	10,067	9,646	10,147	12,965	10,726	11,953	13,604	16,037	9,882	7,757	8,066
Sweetpotatoes (1,000 cwt)	109	332	492	817	504	352	313	413	227	250	177	160	96

1/ 1983 data are not comparable with 1984 and 1985. 2/ Estimate reinstated for asparagus with the 1984 crop, all other years also include broccoli, carrots, cauliflower, celery, sweet corn, lettuce, honeydews, onions, and tomatoes. 3/ Estimates reinstated for cucumbers with the 1984 crop, all other years also include snap beans, sweet corn, green peas, and tomatoes. 4/ Production by class which include baby limas, Great Northern, Pinto, Red Kidney. 5/ Includes snap beans, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, lettuce, onions, bell peppers, squash, tomatoes, cantaloupes, honeydews, and watermelons.

Information contact: Shannon Hamm (202) 786-1767.

Table 24.—Other commodities

	Annual					1985			1986	
	1982	1983	1984	1985	1986 F	Apr-June	July-Sept	Oct-Dec	Jan-Mar	Apr-June
Sugar										
Production 1/	5,936	5,682	5,890	5,969	6,300	727	683	2,992	1,619	746
Deliveries 1/	9,153	8,812	8,454	8,035	7,800	1,972	2,150	2,004	1,833	1,923
Stocks, ending 1/	3,068	2,570	3,005	3,126	3,158	2,686	1,745	3,126	3,387	2,552
Coffee										
Composite green price N.Y. (cts./lb.)	132.00	131.51	142.95	137.46	210.00	134.69	124.83	152.81	215.33	190.79
Imports, green bean equiv. (million lbs.) 2/	2,352	2,259	2,411	2,550	2,450	606	652	612	786	653

	Annual			1985	1986					
	1983	1984	1985	June	Jan	Feb	Mar	Apr	May	June
Tobacco										
Prices at auctions 3/										
Flue-cured (dol./lb.)	1.78	1.81	1.72	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.	n.q.
Burley (dol./lb.)	1.77	1.88	n.q.	n.q.	1.60	1.58	1.48	n.q.	n.q.	n.q.
Domestic consumption 4/										
Cigarettes (bil.)	600.0	600.4	594.0	57.6	35.3	43.2	51.5	48.0	52.4	56.0
Large cigars (mil.)	3,605	3,493	3,226	299.3	225.6	198.9	227.4	257.0	279.4	281.2

1/ 1,000 short tons, raw value. Quarterly data shown at end of each quarter. 2/ Green and processed coffee. 3/ Crop year July-June for flue-cured, October-September for burley. 4/ Taxable removals. p = preliminary. n.q.=no quote.

Information contacts: (sugar) Dave Harvey (202) 786-1769; (coffee) Fred Gray (202) 786-1769; (tobacco) Verner Grise (202) 786-1840.

Table 25.—World supply and utilization of major crops, livestock and products

	1980/81	1981/82	1982/83	1983/84	1984/85 E	1985/86 P	1986/87 F
				Mil. units			
Wheat							
Area (hectare)	236.9	238.7	237.5	229.1	231.3	229.1	228.4
Production (metric ton)	442.9	448.4	479.2	491.0	515.6	503.9	506.9
Exports (metric ton) 1/	94.1	101.3	98.7	102.0	106.9	85.5	89.1
Consumption (metric ton) 2/	445.7	441.5	467.9	486.3	500.5	494.4	508.1
Ending stocks (metric ton) 3/	78.2	85.0	96.3	101.1	116.2	125.7	124.5
Coarse grains							
Area (hectare)	342.4	350.2	339.2	334.2	335.1	337.5	334.2
Production (metric ton)	732.9	769.8	778.4	684.5	809.1	841.6	820.5
Exports (metric ton) 1/	108.0	96.6	89.9	91.9	100.6	82.8	89.2
Consumption (metric ton) 2/	743.0	739.8	751.2	759.8	780.5	771.1	784.8
Ending stocks (metric ton) 3/	82.8	112.9	149.9	74.6	103.2	173.7	209.4
Rice, milled							
Area (hectare)	144.4	145.1	141.2	144.3	144.5	143.8	144.5
Production (metric ton)	271.0	280.6	285.7	308.0	319.3	316.8	319.6
Exports (metric ton) 4/	13.1	11.8	11.9	12.6	11.5	12.5	11.9
Consumption (metric ton) 2/	272.3	281.5	289.6	308.1	314.4	315.8	321.5
Ending stocks (metric ton) 3/	22.1	21.3	17.3	17.2	22.1	23.2	21.3
Total grains							
Area (hectare)	723.8	734.0	717.9	707.6	710.9	710.4	707.1
Production (metric ton)	1,446.8	1,498.8	1,543.3	1,483.5	1,644.0	1,662.3	1,647.0
Exports (metric ton) 1/	215.2	209.7	200.5	206.5	219.0	180.8	190.2
Consumption (metric ton) 2/	1,461.0	1,462.8	1,508.7	1,554.2	1,595.4	1,581.3	1,614.4
Ending stocks (metric ton) 3/	183.2	219.2	263.5	192.9	241.5	322.6	355.2
Oilseeds							
Crush (metric ton)	132.9	138.3	143.5	137.0	151.2	154.3	155.9
Production (metric ton)	155.8	169.4	178.3	165.7	190.9	195.8	197.2
Exports (metric ton)	32.1	35.8	35.1	33.0	32.8	34.2	36.0
Ending stocks (metric ton)	20.5	18.9	20.5	15.8	20.9	26.3	29.7
Meals							
Production (metric ton)	90.8	94.1	98.0	93.0	102.0	104.1	105.7
Exports (metric ton)	25.9	28.9	31.5	29.6	32.5	33.0	33.3
Oils							
Production (metric ton)	40.0	41.6	43.4	42.5	46.5	49.2	49.9
Exports (metric ton)	12.5	13.3	14.0	13.7	15.5	16.5	16.7
Cotton							
Area (hectare)	32.4	33.2	31.9	31.4	33.9	32.0	30.7
Production (bale)	64.8	70.8	67.5	67.7	88.1	79.0	73.5
Exports (bale)	19.7	20.2	19.4	19.2	20.3	20.5	22.4
Consumption (bale)	65.9	65.5	68.0	69.0	69.8	74.5	77.0
Ending stocks (bale)	24.1	25.4	25.0	25.0	43.1	48.0	44.0
	1981	1982	1983	1984	1985	1986 F	1987 F
Red meat							
Production (mil. metric tons)	93.6	93.9	96.5	98.1	101.8	102.1	102.4
Consumption (mil. metric tons)	91.8	92.2	94.7	96.1	99.6	100.7	100.8
Exports (mil. metric tons) 1/	5.7	5.8	5.8	5.9	6.3	6.1	6.4
Poultry							
Production (mil. metric tons)	22.4	23.0	23.5	24.2	25.2	26.1	27.3
Consumption (mil. metric tons)	22.1	22.7	23.5	24.0	24.9	25.7	27.0
Exports (mil. metric tons) 1/	1.5	1.4	1.3	1.2	1.2	1.2	1.2
Dairy							
Milk production	389.7	397.9	413.1	413.1	417.4	420.8	n.a.

E = Estimated. P = Projected. F = Forecast. 1/ Excludes intra-EC trade. 2/ Where stocks data not available (excluding USSR), consumption includes stock changes. 3/ Stocks data are based on differing marketing years and do not represent levels at a given date. Data not available for all countries; includes estimated change in USSR grain stocks but not absolute level. 4/ Calendar year data. 1981 data correspond with 1980/81, etc. n.a. = not available.

Information contact: Frederic Surls (202) 786-1693.

Table 26.—Prices of principal U.S. agricultural trade products

	Annual			1985	1986					
	1983	1984	1985	Aug	Mar	Apr	May	June	July	Aug
Export commodities										
Wheat, f.o.b. vessel, Gulf ports ($/bu.)	4.30	4.17	3.73	3.39	3.71	3.76	3.49	2.92	2.80	2.82
Corn, f.o.b. vessel, Gulf ports ($/bu.)	3.49	3.50	2.89	2.68	2.57	2.59	2.70	2.69	2.17	1.89
Grain sorghum, f.o.b. vessel, Gulf ports ($/bu.)	3.34	3.00	2.64	2.36	2.42	2.56	2.71	2.37	1.94	1.70
Soybeans, f.o.b. vessel, Gulf ports ($/bu.)	7.31	7.38	5.83	5.51	5.65	5.57	5.59	5.53	5.45	5.38
Soybean oil, Decatur (cts./lb.)	23.51	30.75	27.03	23.63	17.41	17.64	17.72	16.75	16.21	14.16
Soybean meal, Decatur ($/ton)	200.91	166.80	127.15	121.97	163.19	156.72	157.60	158.55	162.15	164.76
Cotton, 8 market avg. spot (cts./lb.)	68.68	68.37	58.55	57.87	61.75	62.62	63.95	65.24	65.73	26.81
Tobacco, avg. price at auction (cts./lb.)	173.96	170.66	172.05	164.68	159.39	158.59	158.01	158.01	158.01	142.95
Rice, f.o.b. mill, Houston ($/cwt.)	19.39	19.47	18.57	18.63	17.31	17.25	13.75	13.60	13.00	13.00
Inedible tallow, Chicago (cts./lb.)	13.41	17.47	14.33	12.06	9.38	8.94	8.72	7.56	7.78	7.81
Import commodities										
Coffee, N.Y. spot ($/lb.)	1.33	1.46	1.42	1.33	2.35	2.28	2.18	1.93	1.88	1.85
Rubber, N.Y. spot (cts./lb.)	56.19	49.70	41.91	43.47	41.98	39.18	40.10	41.06	43.51	43.45
Cocoa beans, N.Y. ($/lb.)	.92	1.06	.99	.98	.91	.85	.81	.81	.88	.89

Information contact: Frederic Surls (202) 786-1693.

Table 27.—Indexes of nominal and real trade-weighted dollar exchange rates

	1985			1986								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
						1980=100						
Total U.S. trade												
Nominal	140	137	136	134	129	126	125	123	124	n.a.	n.a.	n.a.
Real	141	138	137	135	130	127	126	124	125	n.a.	n.a.	n.a.
						April 1971=100						
Agricultural trade												
Nominal 1/	2,830	3,083	3,183	3,544	4,093	4,495	4,500	4,511	4,498	4,567	4,661	4,680
Real 2/	99	99	91	90	88	86	85*	84*	84*	84*	86*	86*
Soybeans												
Nominal 1/	210	229	114	112	107	105	105	103	103	161	250	266
Real 2/	92	91	84	82	79	76	76*	74*	75*	74*	75*	75*
Wheat												
Nominal 1/	15,607	17,029	18,368	20,580	23,953	26,425	26,457	26,533	26,449	26,499	26,501	26,512
Real 2/	109	109	103	102	102	102	101*	99*	98*	96*	97*	96*
Corn												
Nominal 1/	2,627	2,865	2,903	3,227	3,720	4,081	4,086	4,095	4,083	4,172	4,297	4,320
Real 2/	97	96	86	85	81	79	78*	76*	77*	77*	79*	79*
Cotton												
Nominal 1/	213	215	216	216	214	228	227	226	233	231	230	233
Real 2/	98	97	97	97	95	94	93*	92*	92*	91*	90*	91*

1/ Nominal values are percentage changes in currency units per dollar, weighted by proportion of agricultural exports from the United States. An increase indicates that the dollar has appreciated. 2/ Real values are computed in the same way as the nominal series, adjusted for CPI changes in the countries involved.

*Preliminary; assumes the same rate of CPI increase/decrease as the previous six months. n.a. = not available.

Information contact: Edward Wilson (202) 786-1688.

Table 28.—Trade balance

	Fiscal years*								Oct-Aug	Aug
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1986
						$ Million				
Exports										
Agricultural	27,289	31,979	40,481	43,780	39,095	34,769	38,027	31,187	24,410	1,885
Nonagricultural	104,270	135,839	169,846	185,423	176,310	159,373	170,014	179,253	161,667	14,946
Total 1/	131,559	167,818	210,327	229,203	215,405	194,142	208,041	210,440	186,077	16,831
Imports										
Agricultural	13,886	16,186	17,276	17,218	15,481	16,271	18,916	19,740	19,268	1,620
Nonagricultural	152,095	177,424	223,590	237,469	233,353	230,629	297,736	313,863	315,758	27,792
Total 2/	165,981	193,610	240,866	254,687	248,834	246,900	316,652	333,603	335,026	29,412
Trade balance										
Agricultural	13,403	15,793	23,205	26,562	23,614	18,498	19,111	11,447	5,142	265
Nonagricultural	-47,825	-41,585	-53,744	-52,046	-57,043	-71,256	-127,722	-134,610	-154,091	-12,846
Total	-34,422	-25,792	-30,539	-25,484	-33,429	-52,758	-108,611	-123,163	-148,949	-12,581

*Fiscal years begin October 1 and end September 30. Fiscal year 1985 began Oct. 1, 1984 and ended Sept. 30, 1985.
1/ Domestic exports including Department of Defense shipments (F.A.S. value). 2/ Imports for consumption (customs value).

Information contact: Steve MacDonald (202) 786-1621.

Table 29.—U.S. agricultural exports and imports

	Fiscal years*			Oct-Aug*	Aug	Fiscal years*			Oct-Aug*	Aug
	1983	1984	1985	1986	1986	1983	1984	1985	1986	1986
	Thousand units					$ Million				
Exports										
Animals, live (no.)	763	754	996	530	34	264	276	255	292	26
Meats & preps., excl. poultry (mt)	412	422	427	403	44	926	929	906	913	97
Dairy products (mt)	339	418	423	444	54	349	393	414	391	45
Poultry meats (mt)	250	225	234	241	22	281	280	257	256	26
Fats, oils, & greases (mt)	1,443	1,395	1,217	1,274	111	593	703	608	453	34
Hides & skins incl. furskins	---	---	---	---	--	997	1,318	1,325	1,347	129
Cattle hides, whole (no.)	21,989	24,283	25,456	23,893	2,469	709	1,010	1,019	1,056	115
Mink pelts (no.)	2,446	2,551	2,237	2,607	67	62	67	60	63	2
Grains & feeds (mt)	102,016	108,194	93,783	67,680	6,374	15,050	17,304	13,270	8,725	743
Wheat (mt)	36,701	41,699	28,523	22,822	3,121	5,910	6,497	4,264	2,964	338
Wheat flour (mt)	1,529	1,071	720	1,043	176	256	234	164	189	23
Rice (mt)	2,276	2,293	1,972	1,948	417	874	897	677	565	84
Feed grains, excl.products (mt)	53,481	55,285	54,930	33,356	1,790	6,496	8,129	6,775	3,533	156
Feeds & fodders (mt)	7,171	7,021	6,543	7,576	800	1,193	1,216	1,005	1,167	119
Other grain products (mt)	859	825	1,096	956	70	321	331	385	305	24
Fruits, nuts, and preps. (mt)	2,120	1,931	1,907	1,867	166	1,660	1,594	1,687	1,630	154
Fruit juices incl. froz. (hl)	5,803	5,598	4,641	3,281	301	222	223	200	136	12
Vegetables & preps. (mt)	1,578	1,527	1,420	1,365	99	990	999	946	931	71
Tobacco, unmanufactured (mt)	245	227	257	214	11	1,487	1,433	1,588	1,258	64
Cotton, excl. linters (mt)	1,136	1,481	1,277	400	62	1,683	2,395	1,945	600	77
Seeds (mt)	275	252	300	249	16	333	326	355	343	18
Sugar, cane or beet (mt)	141	285	355	324	55	38	74	65	64	11
Oilseeds & products (mt)	34,322	26,961	23,802	26,244	1,103	8,721	8,602	6,195	5,955	274
Oilseeds (mt)	26,039	20,466	17,886	19,835	632	6,332	6,254	4,324	4,218	136
Soybeans (mt)	24,522	19,265	16,620	19,317	572	5,866	5,734	3,876	4,010	116
Protein meal (mt)	6,688	5,060	4,606	5,276	328	1,486	1,217	853	1,064	66
Vegetable oils (mt)	1,596	1,435	1,311	1,134	143	902	1,131	1,018	673	70
Essential oils (mt)	10	11	12	7	1	88	96	105	98	9
Other	---	---	---	--	--	1,087	1,082	1,069	1,021	98
Total	---	---	---	--	--	34,769	38,027	31,187	24,410	1,885
Imports										
Animals, live (no.)	1,553	1,907	2,120	1,797	119	555	596	569	601	64
Meats & preps., excl. poultry (mt)	938	905	1,123	1,034	105	2,092	1,931	2,214	2,035	203
Beef & veal (mt)	661	550	674	628	68	1,387	1,165	1,295	1,135	117
Pork (mt)	251	328	416	369	35	638	703	847	812	79
Dairy products (mt)	299	382	418	356	26	709	757	763	712	60
Poultry and products	--	--	--	--	--	91	122	93	90	10
Fats, oils, & greases (mt)	11	18	21	20	3	7	13	18	15	2
Hides & skins, incl. furskins	--	--	--	--	--	191	216	240	188	16
Wool, unmanufactured (mt)	38	59	43	49	4	124	193	145	149	10
Grains & feeds (mt)	1,611	1,805	2,070	2,193	204	448	534	604	615	58
Fruits, nuts, & preps.,	3,597	4,036	4,483	4,326	309	1,386	1,634	1,891	1,828	136
excl. juices (mt)	2,516	2,727	3,022	2,806	234	585	666	752	682	56
Bananas & plantains (mt)	22,166	27,247	35,112	29,356	2,815	479	671	995	657	53
Fruit juices (hl)	1,693	2,093	2,140	2,089	113	1,158	1,314	1,347	1,482	84
Vegetables & preps. (mt)	239	190	191	190	21	734	563	556	554	58
Tobacco, unmanufactured (mt)	8	32	31	40	3	7	17	17	14	1
Cotton, unmanufactured (mt)	85	82	92	83	5	91	97	91	101	7
Seeds (mt)	--	--	--	--	--	228	292	318	313	26
Nursery stock & cut flowers	2,564	2,829	2,338	1,760	105	974	1,144	912	611	35
Sugar, cane or beet (mt)	1,021	1,137	1,271	1,402	112	493	799	784	603	42
Oilseeds & products (mt)	185	223	253	185	12	80	95	98	65	9
Oilseeds (mt)	87	118	159	125	11	14	21	17	13	1
Protein meal (mt)	749	797	859	1,092	90	399	683	670	525	36
Vegetable oils (mt)	12,426	14,120	15,494	14,114	1,549	1,346	1,547	1,622	1,699	175
Beverages excl. fruit juices (hl)	1,701	1,776	1,868	1,785	158	3,984	4,777	4,983	5,622	469
Coffee, tea, cocoa, spices (mt)	1,061	1,128	1,128	1,121	94	2,832	3,300	3,244	4,040	333
Coffee, incl. products (mt)	464	451	539	469	48	829	1,058	1,285	1,105	100
Cocoa beans & products (mt)	654	809	799	736	46	562	854	680	564	36
Rubber & allied gums (mt)	--	--	--	--	--	717	844	900	818	77
Other	--	--	--	--	--	16,373	18,916	19,740	19,268	1,620
Total										

*Fiscal years begin October 1 and end September 30. Fiscal year 1985 began Oct. 1, 1984 and ended Sept. 30, 1985. -- Not available.

Information contact: Steve MacDonald (202) 786-1621.

Table 30. U.S. agricultural exports by regions

Region & country	Fiscal years*			Oct-Aug*	Aug	Change from year* earlier			Oct-Aug	Aug
	1983	1984	1985	1986	1986	1983	1984	1985	1986	1986
	$ Mil.					Percent				
Western Europe	10,148	9,265	7,184	6,395	333	-17	-9	-22	-5	-26
European Community (EC-10)	9,465	8,650	6,669	6,017	297	-17	9	-23	-4	-29
Belgium-Luxembourg	811	836	470	339	14	-13	3	-44	-21	-65
France	517	510	396	402	23	-22	-1	-22	9	15
Germany, Fed. Rep.	1,454	1,260	900	947	42	-8	-13	-29	12	-36
Italy	799	771	677	651	27	-23	-4	-12	0	-25
Netherlands	2,821	2,227	1,927	1,907	106	-14	-21	-13	6	17
United Kingdom	821	790	628	578	42	-13	-4	-20	-1	16
Portugal	638	702	502	289	13	9	10	-28	-39	-74
Spain, incl. Canary Islands	1,199	1,232	832	681	16	-37	3	-32	-13	-71
Other Western Europe	682	615	515	378	36	-14	-10	-16	-20	5
Switzerland	355	311	232	120	8	5	-12	-26	-46	-3
Eastern Europe	827	741	532	426	23	-10	-10	-28	-16	-29
Germany Dem. Rep.	123	132	81	47	0	-46	7	-39	-41	-14
Poland	232	197	126	39	6	29	-15	-36	-68	-1
Yugoslavia	249	180	137	123	12	39	-28	-24	-5	4
Romania	115	155	88	112	3	-21	35	-43	40	-50
USSR	983	2,512	2,509	1,105	2	-58	156	0	-56	-91
Asia	13,588	15,209	11,933	9,708	884	-4	12	-22	-13	6
West Asia (Mideast)	1,482	1,865	1,452	1,145	116	0	26	-22	-16	33
Turkey	28	222	129	111	4	-74	693	-42	-13	80
Iraq	323	423	371	301	23	139	31	-12	-11	421
Israel	293	351	300	243	27	-14	20	-15	-15	-13
Saudia Arabia	446	497	381	284	47	-6	11	-23	-21	31
South Asia	1,170	867	599	448	60	64	-26	-31	-20	74
Bangladesh	153	157	205	80	25	25	3	31	-59	329
India	762	376	129	78	7	146	-51	-66	-35	-10
Pakistan	215	285	228	254	27	-2	33	-20	19	44
East & Southeast Asia	10,936	12,477	9,882	8,115	708	-8	14	-21	-12	0
China	546	692	239	85	2	-70	27	-65	-60	-90
Taiwan	1,237	1,409	1,342	1,042	83	6	14	-5	-17	9
Japan	5,888	6,935	5,663	4,768	374	3	18	-18	-10	-8
Korea, Rep.	1,713	1,816	1,400	1,181	121	7	6	-23	-9	46
Hong Kong	344	407	396	369	41	-15	18	-3	0	-5
Indonesia	410	438	204	157	28	-5	7	-53	-21	21
Philippines	380	300	285	253	35	19	-21	-5	-1	9
Africa	2,272	2,868	2,527	1,966	187	-7	26	-12	-17	27
North Africa	1,452	1,542	1,207	1,310	121	4	6	-22	16	219
Morocco	225	341	156	131	4	33	52	-54	-8	-35
Algeria	203	162	220	309	37	-8	-20	36	45	915
Egypt	911	882	766	842	72	1	-3	-13	18	183
Sub-Sahara	821	1,327	1,320	656	66	-22	62	-1	-47	-40
Nigeria	332	345	367	139	25	-38	4	6	-60	32
Rep. S. Africa	130	525	189	63	10	-2	304	-64	-65	-11
Latin America & Caribbean	4,858	5,279	4,570	3,301	314	-2	9	-13	-23	-13
Brazil	400	438	557	385	94	-31	10	27	-28	168
Caribbean Islands	774	827	771	694	58	1	7	-7	-2	-13
Central America	356	396	361	292	34	4	11	-9	-11	21
Colombia	256	220	238	126	4	-6	-14	8	-42	-76
Mexico	1,777	1,966	1,566	1,043	66	19	11	-20	-31	-43
Peru	258	227	106	90	8	-17	-12	-53	0	323
Venezuela	617	778	721	475	23	-17	26	-7	-29	-69
Canada	1,870	1,936	1,727	1,318	126	0	4	-11	-17	6
Oceania	224	216	204	191	17	-24	-4	-6	-1	-8
Total	34,769	38,027	31,187	24,410	1,885	-11	9	-18	-17	-5

*Fiscal years begin October 1 and end September 30. Fiscal year 1985 began Oct. 1, 1984 and ended Sept. 30, 1985

Note: Adjusted for transshipments through Canada.

Information contact: Steve MacDonald (202) 786-1621.

Table 31.—Farm income statistics

	Calendar years										
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 p	1986 F
	Billion dollars										
1. Farm receipts	96.4	97.5	114.3	133.8	142.0	144.1	147.1	140.9	146.4	148.5	137 to 141
Crops (incl. net CCC loans)	49.0	48.6	53.2	62.3	71.7	72.5	72.4	67.0	69.2	72.7	61 to 65
Livestock	46.3	47.6	59.2	69.2	68.0	69.2	70.2	69.5	72.9	69.4	69 to 73
Farm related 1/	1.1	1.2	1.9	2.2	2.3	2.5	4.5	4.4	4.3	6.4	4 to 6
2. Direct Government payments	0.7	1.8	3.0	1.4	1.3	1.9	3.5	9.3	8.4	7.7	10 to 13
Cash payments	0.7	1.8	3.0	1.4	1.3	1.9	3.5	4.1	4.0	7.6	8 to 11
Value of PIK commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	4.5	0.1	1 to 3
3 Total gross farm income (4+5+6)	102.9	108.8	128.4	150.7	149.3	166.3	163.4	152.4	174.4	166.6	154 to 158
4 Gross cash income (1+2) 2/	97.2	99.3	117.3	135.1	143.3	146.0	150.6	150.2	154.9	156.2	149 to 153
5 Nonmoney income 3/	7.3	8.4	9.3	10.6	12.3	13.8	14.1	13.2	13.3	11.5	9 to 11
6 Value of inventory change	-1.5	1.1	1.9	5.0	-6.3	6.5	-1.3	-10.9	6.3	-1.1	-6 to -2
7. Cash expenses 4/	67.2	71.4	84.2	101.7	109.1	113.2	113.8	113.0	115.6	112.1	104 to 108
8. Total expenses	82.7	88.9	103.2	123.3	133.1	139.4	140.7	139.5	141.7	136.1	127 to 131
9. Net cash income (4-7)	29.9	27.8	33.1	33.4	34.2	32.8	36.8	37.1	39.3	44.0	43 to 47
10. Net farm income (3-8)	20.2	19.9	25.2	27.4	16.1	26.9	22.7	13.0	32.7	30.5	25 to 29
Deflated (1982$)	32.0	29.5	34.9	34.9	18.8	28.6	22.7	12.5	30.3	27.3	22 to 25
11. Off-farm income	26.7	26.1	29.7	33.8	34.7	35.8	36.4	37.0	37.9	40.8	40 to 44
12. Loan changes 5/: Real estate	5.2	7.6	7.6	13.0	9.3	9.4	4.0	2.5	-0.8	-5.6	-6 to -2
13. 5/: Nonreal estate	5.9	6.8	8.3	10.9	5.9	6.2	3.4	1.0	-0.8	-9.2	-7 to -3
14. Rental income plus monetary change	3.5	3.5	4.1	6.3	6.1	6.4	6.4	5.7	7.8	8.0	5 to 8
15. Capital expenditures 5/	14.0	15.0	17.9	19.9	18.0	16.8	13.7	13.0	12.5	10.1	7 to 10
16. Net cash flow (9+12+13+14-15)	30.5	30.8	35.1	43.7	37.5	37.9	37.0	33.3	33.0	27.1	31 to 35

p=preliminary. F=Forecast. 1/ Income from machine hire, custom work, sales of forest products, and other misc. cash sources. 2/ Numbers in parentheses indicate the combination of items required to calculate a given item. 3/ Value of home consumption of self-produced food and imputed gross rental value of farm dwellings. 4/ Excludes capital consumption, perquisites to hired labor, and farm household expenses. 5/ Excludes farm households.

Information contact: Gary Lucier (202) 786-1807.

Table 32.—Balance sheet of the U.S. farming sector

	Calendar years										
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 p	1986 F
	Billion dollars										
Assets	453.5	507.7	600.7	704.2	779.2	780.2	745.6	736.1	639.6	559.6	500-540
Real estate 1/	136.9	149.0	183.0	213.9	224.0	225.0	232.2	220.4	216.5	211.9	180-220
Non-real estate	29.0	31.9	51.3	61.4	60.6	53.5	53.0	49.7	49.6	45.9	42-46
Livestock & poultry	63.9	69.9	78.2	90.8	96.8	103.0	103.7	100.9	95.0	92.2	87-91
Machinery & motor vehicles	22.1	24.8	28.0	33.5	36.5	36.1	40.6	33.2	33.7	37.1	28-32
Crops stored	21.9	22.4	25.5	28.2	30.1	32.4	34.9	36.5	38.1	36.7	33-37
Financial assets	590.4	656.7	783.7	918.1	1,003.2	1,005.2	977.8	956.5	856.1	771.4	690-740
Total farm assets											
Liabilities	50.3	58.0	65.6	78.5	87.9	97.2	101.2	103.7	102.9	97.3	91-95
Real estate	46.6	52.4	66.4	7.0	82.5	91.6	102.4	98.7	95.8	94.8	92-97
Non-real estate	1.0	4.5	5.7	5.1	5.0	8.0	15.4	10.8	8.7	16.9	18-22
CCC loans	45.6	52.4	60.7	71.6	77.5	83.6	87.0	87.9	87.1	77.9	71-75
Other non-real estate	97.0	114.9	131.9	155.2	170.4	188.8	203.6	202.4	198.7	192.1	178-186
Total farm liabilities	493.5	541.8	651.8	762.9	832.9	816.4	774.2	754.0	657.3	579.3	500-550
Total farm equity											
	Percent										
Selected ratios	15.7	16.7	16.2	16.4	16.5	18.8	20.8	21.2	23.2	24.9	24-28
Debt-to-assets	18.6	20.0	19.3	19.6	19.7	23.1	26.5	26.8	30.2	33.2	33-37
Debt-to-equity	324.4	411.8	398.5	464.7	498.3	576.1	553.0	545.5	506.1	436.2	400-440
Debt-to-net cash income											

1/ Excludes farm household. p = preliminary. F = forecast.

Information contact: Richard Kodl (202) 786-1808.

Table 33.—Cash receipts from farm marketings, by States

State	Livestock and Products				Crops 1/				Total 1/			
	1984	1985	June 1986	July 1986	1984	1985	June 1986	July 1986	1984	1985	June 1986	July 1986
	$ Mil. 2/											
North Atlantic	284	250	19	22	167	127	8	8	451	378	27	30
Maine	77	71	6	6	33	36	2	2	110	107	8	8
New Hampshire	372	352	28	27	30	32	1	4	402	384	29	31
Vermont	131	124	11	11	258	265	13	14	389	389	23	24
Massachusetts	14	13	1	1	48	49	2	3	62	63	3	4
Rhode Island	220	206	16	18	125	110	5	8	346	316	21	26
Connecticut	1,921	1,845	145	149	745	719	38	56	2,666	2,564	183	205
New York	135	144	12	12	404	447	54	70	538	591	66	82
New Jersey	2,242	2,184	176	177	848	966	59	59	3,090	3,150	235	236
Pennsylvania	1,626	1,511	127	139	1,989	2,430	94	128	3,614	3,940	221	267
North Central	1,801	1,728	160	154	2,426	2,869	72	94	4,228	4,597	232	247
Ohio	2,173	2,063	173	182	4,482	5,704	188	244	6,655	7,768	361	426
Indiana	1,298	1,231	106	103	1,496	1,619	78	162	2,793	2,850	184	265
Illinois	4,075	4,100	359	355	878	1,012	38	60	4,955	5,111	397	415
Michigan	3,360	3,370	293	286	2,728	3,102	103	111	6,088	6,472	396	397
Wisconsin	5,015	4,811	424	433	3,924	4,390	120	99	8,939	9,201	545	531
Minnesota	2,166	1,930	139	140	1,530	1,738	60	49	3,696	3,668	199	189
Iowa	693	686	33	32	1,839	2,060	58	51	2,532	2,746	90	83
Missouri	1,804	1,903	111	109	1,021	1,076	30	71	2,826	2,979	141	180
North Dakota	4,524	4,113	369	317	2,510	3,093	68	122	7,035	7,206	436	439
South Dakota	3,614	3,264	272	263	2,406	2,478	103	184	6,020	5,741	375	447
Nebraska	383	352	32	43	143	137	13	7	527	490	45	50
Kansas	810	770	67	77	369	378	15	20	1,179	1,148	82	97
Southern	1,121	1,004	73	87	665	623	18	33	1,786	1,627	91	120
Delaware	183	192	15	14	43	49	1	2	225	241	16	16
Maryland	1,941	1,934	157	189	2,253	1,980	63	30	4,194	3,914	219	219
Virginia	427	415	31	36	736	618	68	33	1,164	1,033	100	69
West Virginia	1,848	1,727	142	176	1,772	1,600	61	49	3,620	3,327	203	225
North Carolina	1,091	1,015	81	98	3,642	3,726	229	145	4,733	4,741	310	241
South Carolina	1,415	1,352	67	282	1,288	1,519	22	17	2,703	2,871	89	299
Georgia	1,054	1,000	73	83	1,051	1,057	36	28	2,105	2,057	109	109
Florida	1,388	1,301	110	131	803	776	24	18	2,192	2,077	134	149
Kentucky	1,046	1,010	80	95	1,118	1,126	1	16	2,164	2,136	81	78
Tennessee	1,885	1,825	162	222	1,400	1,455	18	-39	3,285	3,280	180	182
Alabama	480	491	47	50	1,147	968	9	5	1,627	1,460	56	54
Mississippi	1,776	1,726	121	144	879	938	62	107	2,655	2,664	183	251
Arkansas	5,901	5,441	453	468	3,569	3,857	220	211	9,470	9,298	673	679
Louisiana	717	802	37	45	649	405	8	12	1,366	1,207	46	58
Oklahoma	901	862	56	53	1,383	1,200	34	32	2,284	2,063	90	85
Texas	472	479	17	21	114	110	2	4	586	589	19	25
Western	2,205	2,019	121	137	1,141	1,145	36	91	3,345	3,164	156	229
Montana	657	718	42	42	334	369	35	35	991	1,086	78	76
Idaho	753	702	70	56	900	827	48	29	1,654	1,529	118	85
Wyoming	449	409	30	33	139	138	9	14	588	548	39	47
Colorado	172	144	11	9	79	78	4	6	251	222	15	15
New Mexico	1,031	932	69	79	2,100	1,865	126	121	3,132	2,797	195	201
Arizona	630	622	45	46	1,216	1,156	57	128	1,846	1,778	103	175
Utah	4,529	4,165	313	317	9,944	9,805	693	651	14,473	13,970	1,006	969
Nevada	7	8	1	1	18	18	1	2	25	26	2	2
Washington	87	83	7	7	463	458	38	40	550	540	45	46
Oregon	72,905	69,401	5,510	5,979	69,248	72,702	3,144	3,405	142,153	142,103	8,654	9,384
California												
Alaska												
Hawaii												
United States												

1/ Sales of farm products include receipts from commodities placed under CCC loans minus value of redemptions during the period.
2/ Estimates as of the end of current month. Rounded data may not add.

Information contact: Roger Strickland (202) 786-1804.

Table 34.—Cash receipts from farming

	Annual						1985	1986				
	1980	1981	1982	1983	1984	1985 p	July	Mar	Apr	May	June	July
						$ Mil.						
Farm marketings and CCC loans 1/	139,736	141,616	142,624	136,460	142,153	142,103	10,741	9,426	9,576	8,633	8,654	9,384
Livestock and products	67,991	69,151	70,249	69,453	72,905	69,401	5,556	5,439	5,591	5,792	5,510	5,979
Meat animals	41,233	39,748	40,917	38,893	40,832	38,185	2,699	2,905	3,064	3,151	2,938	2,937
Dairy products	16,365	18,095	18,234	18,757	17,944	18,135	1,525	1,528	1,521	1,597	1,509	1,494
Poultry and eggs	9,160	9,949	9,538	10,003	12,219	11,196	995	890	889	920	929	1,205
Other	1,233	1,358	1,560	1,800	1,910	1,885	337	116	118	124	134	344
Crops	71,746	72,465	72,375	67,007	69,248	72,702	5,184	3,987	3,984	2,841	3,144	3,405
Food grains	10,402	11,619	11,469	9,733	9,578	8,846	1,736	761	197	116	441	688
Feed crops	18,308	17,770	17,404	15,367	15,728	21,397	1,076	1,180	977	667	610	585
Cotton (lint and seed)	4,447	4,055	4,454	3,711	3,270	3,800	3	77	22	-30	-29	65
Tobacco	2,672	3,250	3,342	2,768	2,841	2,722	65	21	34	0	0	6
Oil-bearing crops	15,493	13,853	13,812	13,530	13,861	12,237	471	738	768	87	446	434
Vegetables and melons	7,307	8,772	8,113	8,512	9,237	8,582	665	713	809	1,077	803	625
Fruits and tree nuts	6,557	6,603	6,821	6,062	6,787	6,812	721	307	318	277	463	709
Other	6,560	6,543	6,960	7,326	7,946	8,306	448	691	860	650	411	425
Government payments	1,286	1,932	3,492	9,295	8,430	7,704	224	41	1,950	1,701	1,187	100
Total	141,022	143,548	146,116	145,755	150,583	149,807	10,965	9,467	11,526	10,334	9,841	9,784

1/ Receipts from loans represent value of commodities placed under CCC loans minus value of redemptions during the month. p = preliminary.

Information contact: Roger Strickland (202) 786-1804.

Table 35.—Farm production expenses, 1982-85 [1]

	Calendar years									
	1976	1977	1978	1979	1980	1981	1982	1983	1984 r	1985 p
						Million dollars 1/				
Feed	14,370	13,967	16,036	19,314	20,971	20,855	18,592	21,725	19,850	19,588
Livestock	5,884	7,072	10,150	13,012	10,670	8,999	9,696	8,814	9,498	8,991
Seed	2,366	2,484	2,638	2,904	3,220	3,428	3,172	2,987	3,447	3,369
Farm-origin inputs	22,620	23,523	28,824	35,230	34,861	33,282	31,460	33,526	32,795	31,948
Fertilizer	6,468	6,529	6,619	7,369	9,490	9,409	8,018	7,067	7,429	7,258
Fuels and oils	3,966	4,356	4,609	5,635	7,879	8,570	7,888	7,503	7,143	6,584
Electricity	858	1,069	1,389	1,447	1,526	1,747	2,041	2,146	2,166	2,073
Pesticides	2,108	1,938	2,656	3,436	3,539	4,201	4,282	4,161	4,768	4,965
Manufactured inputs	13,400	13,892	15,273	17,887	22,434	23,927	22,229	20,877	21,506	20,881
Short-term interest	3,574	4,203	5,167	6,868	8,717	10,722	11,349	10,615	10,396	8,821
Real estate interest	3,785	4,329	5,060	6,190	7,544	9,142	10,481	10,815	10,733	9,878
Total interest charges	7,359	8,532	10,227	13,058	16,261	19,864	21,830	21,430	21,129	18,699
Repair and operation	4,879	5,430	6,638	7,280	7,648	7,587	7,730	7,543	7,850	7,450
Hired labor	6,743	7,131	8,279	8,982	9,294	8,932	10,182	9,640	9,838	10,347
Machine hire and custom work	1,546	1,682	1,776	2,063	1,823	1,984	2,025	1,806	2,170	2,185
Dairy deduction 1/	0	0	0	0	0	0	0	653	656	168
Other operating expenses	5,461	6,129	7,703	9,047	9,377	9,865	10,699	10,649	10,860	11,519
Total operating expenses	18,629	20,372	24,396	27,732	28,142	28,368	30,636	30,381	31,374	31,669
Depreciation	13,778	15,493	16,963	19,345	21,474	23,573	23,886	23,491	23,020	21,101
Taxes	3,491	3,660	3,603	3,871	3,891	4,246	4,394	4,323	4,384	4,423
Net rent to non-operator landlord	3,465	3,412	3,963	6,182	6,075	6,184	6,219	5,441	7,504	7,387
Other overhead expenses	20,734	22,565	24,529	29,398	31,440	36,003	34,499	33,255	34,908	32,911
Total production expenses	82,742	88,884	103,249	123,305	133,138	139,444	140,654	139,468	141,712	136,108

1/ Totals may not add due to rounding. r = revised. p = preliminary.

Information contact: Richard Kodl (202) 786-1808.

Transportation

Table 36.—Rail rates; grain and fruit-vegetable shipments;. truck costs

	Annual			1985	1986					
	1983	1984	1985	Aug	Mar	Apr	May	June	July	Aug
Rail freight rate index 1/										
(Dec 1984 = 100)	95.0	99.3	100.0	99.8	101.0	100.0	100.9 p	100.9 p	101.1 p	101.0 p
All products	94.0	98.7	99.0	97.6	99.7	99.7	99.8 p	100.3 p	100.2 p	99.6 p
Farm products	94.0	98.6	98.3	96.3	99.0	99.1	99.1 p	99.1 p	99.1 p	99.1 p
Grain	94.8	99.1	100.1	100.1	100.9	100.9	100.7 p	100.9 p	100.9 p	100.9 p
Food products										
Grain										
Rail carloadings (thou. cars) 2/	26.1	27.2	22.6	20.3	20.7 p	18.0 p	17.6 p	24.8 p	24.4 p	24.2 p
Fresh fruit & vegetable shipments										
Piggy back (thou. cwt.) 3/ 4/	545	570	602	538	604	668	920	927	727	514
Rail (thou. cwt.) 3/ 4/	786	640	508	229	489	447	690	678	335	183
Truck (thou. cwt.) 3/ 4/	7,923	8,006	8,148	7,860	8,160	9,143	11,219	10,328	8,945	7,848
Cost of operating trucks hauling produce 5/										
Owner operator (cts./mile)	114.2	115.5	116.1	115.7	113.0	112.7	113.0	112.3	111.8	111.8
Fleet operation (cts./mile)	112.7	115.3	116.7	116.8	113.4	113.3	113.4	112.6	112.1	112.1

1/ Department of Labor, Bureau of Labor Statistics, revised March 1985. 2/ Weekly average; from Association of American Railroads. 3/ Weekly average; from Agricultural Marketing Service, USDA. 4/ Preliminary data for 1985 and 1986. 5/ Office of Transportation, USDA. p = preliminary.

Information contact: T.Q. Hutchinson (202) 786-1864.

Indicators of Farm Productivity

Table 37.—Indexes of farm production, input use, and productivity

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 2/
	1977=100									
Farm output	100	104	111	104	118	116	96	112	119	113
All livestock products 3/	100	101	104	108	109	107	109	107	110	111
Meat animals	100	100	103	107	106	101	104	101	101	100
Dairy products	100	99	101	105	108	110	114	110	117	118
Poultry & eggs	100	106	114	115	119	119	120	123	128	133
All crops 4/	100	102	113	101	117	117	88	111	116	108
Feed grains	100	108	116	97	121	122	67	116	133	122
Hay & forage	100	106	108	98	106	109	100	107	106	111
Food grains	100	93	108	121	144	138	117	129	121	105
Sugar crops	100	101	94	97	107	96	93	95	97	106
Cotton	100	76	102	79	109	85	55	91	93	70
Tobacco	100	106	80	93	108	104	75	90	79	64
Oil crops	100	105	129	99	114	121	91	106	117	109
Cropland used for crops	100	97	100	101	102	101	88	99	98	94
Crop production per acre	100	105	113	100	115	116	100	112	118	115
Farm input 5/	100	102	105	103	102	99	95	96	93	n.a.
Farm real estate	100	100	103	103	103	103	101	99	n.a	n.a.
Mechanical power & machinery	100	104	104	101	98	94	89	88	n.a	n.a.
Agricultural chemicals	100	107	123	123	129	118	105	120	n.a	n.a.
Feed, seed & livestock purchases	100	108	115	114	108	106	106	106	n.a	n.a.
Farm output per unit of input	100	102	105	101	116	117	100	116	128	n.a.
Output per hour of labor 6/										
Farm	100	97	106	109	132	140	106	123	135	n.a.
Nonfarm	100	101	99	99	100	99	103	104	104	n.a.

1/ For historical data and indexes, see Changes in Farm Production and Efficiency USDA Statistical Bulletin 657. 2/ Preliminary indexes for 1986 based on October 1986 Crop Production report and other releases of the Agricultural Statistics Board, NASS. 3/ Gross livestock production includes minor livestock products not included in the separate groups shown. It cannot be added to gross crop production to compute farm output. 4/ Gross crop production includes some miscellaneous crops not in the separate groups shown. It cannot be added to gross livestock production to compute farm output. 5/ Includes other items not included in the separate groups shown. 6/ Bureau of Labor Statistics. n.a. = not available.

Information contact: Charles Cobb (202) 786-1803.

Table 38.--Supply and use of fertilizer

(See the June 1986 issue.)

Information contact: Paul Andrilenas (202) 786-1456.

Food Supply and Use

Table 39. Per capita food consumption indexes (1967 = 100)

(See the Nov. 1985 issue.)

Information contact: Karen Bunch (202) 786-1870.

Table 40. Per capita consumption of major food commodities (retail weight)

(See the Oct. 1985 issue.)

Information contact: Karen Bunch (202) 786-1870.

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